

Massachusetts
Water Pollution Abatement Trust
(A Component Unit of the Commonwealth of Massachusetts)



*Comprehensive Annual Financial Report as of and for
the Years Ended June 30, 2005 and June 30, 2004
and Independent Auditors Report*



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June 30, 2005 and June 30, 2004 and Independent Auditors Report*

Prepared by the Management of the
Massachusetts Water Pollution Abatement Trust

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Massachusetts Water Pollution Abatement Trust

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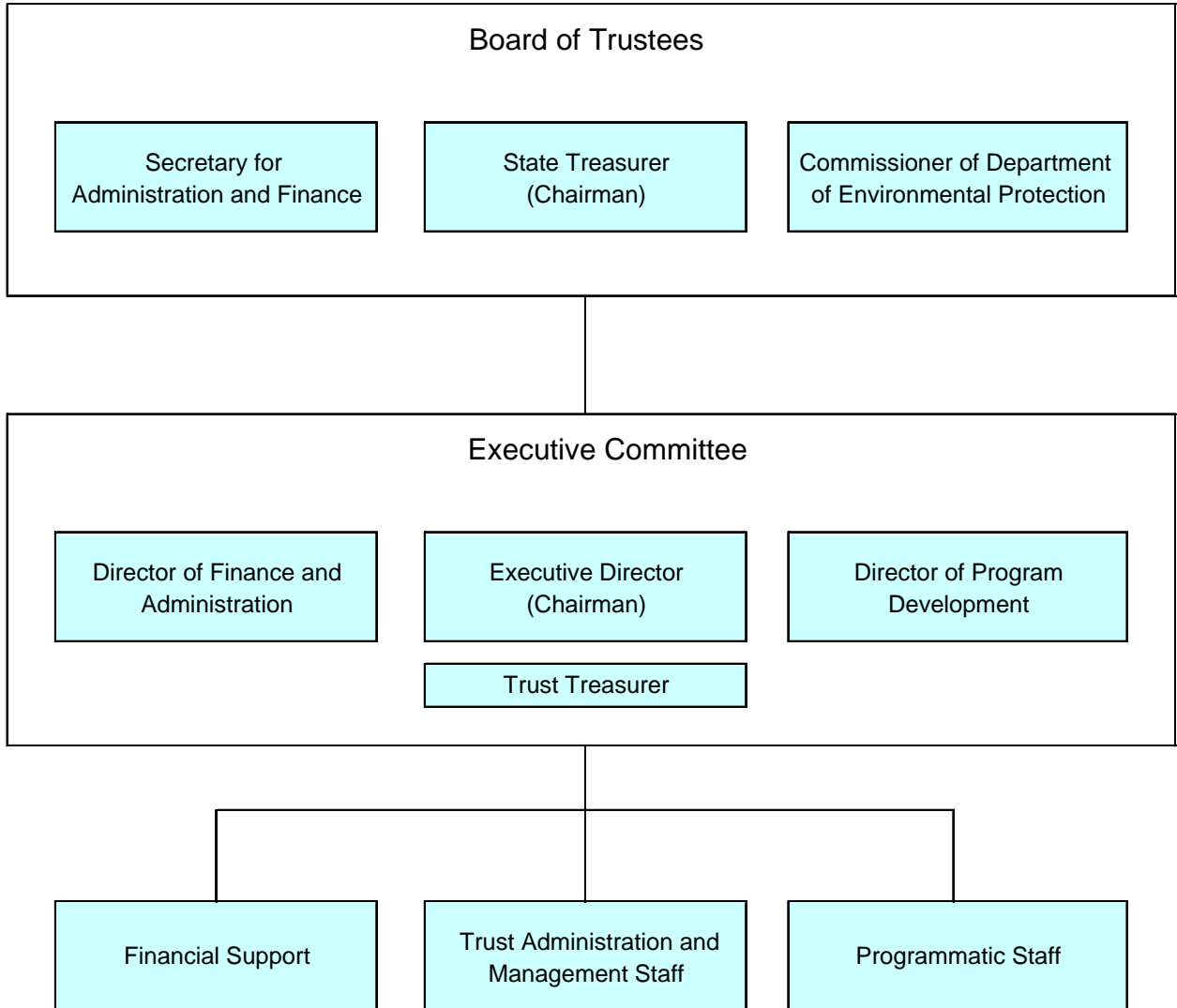
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Massachusetts Water Pollution Abatement Trust
Fiscal Years Ended June 30, 2005 and 2004
COMPREHENSIVE ANNUAL FINANCIAL REPORT

Introductory Section

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Administrative Structure



Board of Trustees

Mr. Timothy P. Cahill	Treasurer and Receiver-General of the Commonwealth of Massachusetts
Mr. Eric Kriss	Secretary of the Executive Office for Administration and Finance of the Commonwealth of Massachusetts
Mr. Robert Golledge, Jr.	Commissioner of the Department of Environmental Protection of the Commonwealth of Massachusetts

Designees of Trustees

Mr. Patrick L. Landers	Designee of the Treasurer and Receiver-General of the Commonwealth of Massachusetts
Mr. Carlo A. DeSantis	Designee of the Secretary of the Executive Office for Administration and Finance of the Commonwealth of Massachusetts
Mr. Steven J. McCurdy	Designee of the Commissioner of the Department of Environmental Protection of the Commonwealth of Massachusetts

Senior Management

Mr. Scott A. Jordan	Executive Director
Ms. Nancy E. Parrillo	Chief Financial Officer
Mr. Carlo DeSantis	Director of Finance and Administration
Mr. Steven J. McCurdy	Director of Program Development



Message from the Chair of the Massachusetts Water Pollution Abatement Trust

Timothy P. Cahill,
Chair of the Massachusetts Water Pollution Abatement Trust and
Treasurer and Receiver General of the Commonwealth of Massachusetts

To the Stakeholders of the Massachusetts Water Pollution Abatement Trust:

I am pleased to transmit to you the Comprehensive Annual Financial Report (CAFR) of the Massachusetts Water Pollution Abatement Trust for the fiscal year ending June 30, 2005. The Trust provides a much-needed resource to the Commonwealth's cities and towns: low-cost capital financing for water infrastructure. As chair of the Trust, I am proud to continue my commitment to assisting the Commonwealth's cities and towns in meeting their capital needs.

In FY2005, the Trust provided \$317.2 million in water infrastructure loans to 56 communities and districts in the Commonwealth, including \$4.6 million through the Title V Community Septic Management Program to assist homeowners with the costs of remediating failing septic systems. Over the past 12 years, the Trust has financed \$3.1 billion of water infrastructure improvements in the Commonwealth, including \$33.6 million to help homeowners facing Title V repairs.

The Trust is able to provide such financing by leveraging federal and state funds in the capital market. The Trust is committed to aggressively seeking the lowest cost of capital to minimize interest expense to its borrowers and to the Commonwealth. In FY2005, the Trust issued more than \$645 million in refunding bonds, refinancing higher-interest debt and saving more than \$46 million in debt service costs over the next 28 years.

Nationally, the Clean Water State Revolving Fund program continues to face funding challenges. As the federal government grapples with its budget deficit, appropriations have come under increasing attack. For FY2006, the President has proposed a 33% reduction in funding nationwide, a reduction from a FY2005 appropriation that was already reduced by 19% from the prior year. If the President's proposal is adopted by Congress, this program will suffer a 46% reduction from FY2004 to FY2006. This translates into a \$71 million reduction in new project capacity for Massachusetts.

As federal support declines, the Trust will continue to find innovative ways to increase financial efficiency. In FY2006 our goals will be to continue to reduce the Trust's cost of capital, to seek additional state and federal support, and to advocate for regulatory relief from the U.S. Treasury, allowing the Trust to retain all its investment earnings. Our work is important to the public health and the environment of Massachusetts. We look forward to continuing our efforts.

Sincerely yours,

Timothy P. Cahill
Chair



MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST

Timothy P. Cahill, Chair

Thomas H. Trimarco, Robert W. Golledge, Jr., Trustees

To the Members of the Board of Trustees of the Massachusetts Water Pollution Abatement Trust:

I am pleased to submit the Comprehensive Annual Financial Report (CAFR) of the Massachusetts Water Pollution Abatement Trust (the “Trust”) for the fiscal year ended June 30, 2005. This year’s CAFR is presented on a comparative basis with the fiscal year ended June 30, 2004, and is submitted under Article VII, Section 2 of the by-laws of the Trust. This report has been prepared in conformity with generally accepted accounting principals (“GAAP”), thereby satisfying applicable federal and state laws, program regulations, and other Trust agreements. The data presented is accurate in all material aspects and is reported in a manner that presents fairly the financial position and results of operations of the Trust. All disclosures necessary to enable the reader to gain an understanding of the Trust’s activities have been included. The information contained within this report is the responsibility of management.

The CAFR is presented in three major sections: **introductory, financial, and statistical**. The introductory section, which is unaudited, is comprised of a letter of transmittal, an organizational chart of the Trust, as well as a list of the Trust’s principal officials. This section is intended to inform the reader of the overall programmatic accomplishments for the year. The financial section includes management’s discussion and analysis of the financial results of the year, the general purpose financial statements and combining financial statements and schedules, as well as the independent auditor’s opinion on these financial statements and schedules. The statistical section, which is also unaudited, contains other schedules, which may be useful in understanding the activities of the Trust. These statistical schedules include revenues and expenditures by character, loan activity by local governmental unit, as well as population served. These schedules are generally on a multi-year basis.

The reporting entity, the Trust, is a public instrumentality of the Commonwealth of Massachusetts. It was established in 1989 to administer the Massachusetts Water Pollution Abatement Revolving Fund, pursuant to Title VI of the Federal Clean Water Act (“the Act”). It was later amended in 1998 to encompass the provisions of Title XIV of the Federal Safe Drinking Water Act (“the DWSRF”). The Trust’s mission, as contemplated by its enabling legislation, is to fund the implementation of water pollution control projects in the Commonwealth through a revolving fund loan program.

The Trust is authorized to issue bonds, guaranteed by reserves that are funded by Federal Grants and Commonwealth matching funds, to provide subsidized financing for these projects. As of June 30, 2005, the Trust has funded nearly \$3.4 billion of projects for more than 285 governmental units across the Commonwealth, ranging in scope from secondary wastewater treatment and drinking water treatment plants to individual septic systems.

As a public instrumentality, the Trust is reported on the Commonwealth's Combined Annual Financial Report as a component unit. The Trust also submits its independently audited financial statements to the Commonwealth's Senate and House of Representatives, as well as the Office of the Comptroller, and other interested parties. Also, as an entity receiving federal funding, the Trust is required to undergo an annual "Single Audit" to conform with the requirements of the Single Audit Act of 1984, as amended, and the US Office of Management and Budget's Circular A-133, Audits of State and Local Governments.

The Trust is governed by a three-member board chaired by State Treasurer Tim Cahill. Secretary of the Executive Office for Administration and Finance (A&F) Thomas H. Trimarco and Commissioner of the Department of Environmental Protection (DEP) Robert Golledge serve as members of the Board. The Trust operates under the direction of the Executive Director.

The Trust's programs are administered jointly by employees of the State Treasury and DEP. It is the function of DEP to approve projects based on environmental and health issues. The Treasurer's Office is responsible for financing those projects. A&F provides policy and budgetary oversight. The close working relationship of these agencies ensures that the Trust's activities meet the Commonwealth's environmental policy objectives while maintaining financial viability.

Financial Results of the Trust

This Comprehensive Annual Financial Report (CAFR) presents the Trust's financial position as of June 30, 2005. The Financial Section of the CAFR includes a number of items. First is the **Independent Auditor's Report** that provides an opinion about the financial statements as to whether they are stated fairly in all material respects. The information reported in the financial statements **is the responsibility of the Trust's management and not that of our independent auditors and should not be construed as such.**

Next is the **Management Discussion and Analysis**, which is a narrative about changes in the financial state of the Trust as compared to last year. Key elements discussed are changes in assets, liabilities, long-term debt, cash, and net income. Comments on economic issues affecting the Trust's performance are also included.

The financial statements contain a **Statement of Net Assets** (the Balance Sheet) illustrating the financial position of the Trust as of June 30, 2005. The "net assets" value at the end of the statement can be traced to the **Combined Statement of Revenues, Expenses** and changes in Net Assets (more commonly referred to as "The Income Statement"). The last statement is the Statement of Cash Flows, which reconciles cash flow to income before operating transfers, breaking down the activities by operating, capital and related financing, and investment activities. This statement is used to assess the Trust's ability to meet its operating cash needs.

Last are the footnotes that accompany the statements to fully explain the activities reported in them.

Financial Position Continues to Strengthen

In FY2005 the financial position of the Trust continued to strengthen. The most important aspects of the Trust's financial position are changes in cash and investments held by the Trust, the amount of loans and bonds that are due to the Trust from borrowers, and the amount of bonds due to bondholders from the Trust. These three categories make up the majority of the Trust's net equity.

In FY2005, the Trust's outstanding loans were \$2.2 billion. In FY2005, that number grew to \$2.5 billion, which includes the issuance of the Pooled Loan Program, Series 10 (\$317.2 million) in new debt, while retiring \$99.2 million of outstanding debt, and defeasance of \$592 million in outstanding debt by issuing \$645.6 million in refunding bonds, netting the Trust approximately \$46.9 million in debt service savings over the next 25 years. The Trust's outstanding loan portfolio continues to grow, as it plans to finance another \$300 million in the fall of 2005.

While program activity has grown, the Trust continues to keep operating costs low. Overhead, including administrative costs associated with project management of both the Clean Water and Safe Drinking Water Programs, is significantly less than 1% of outstanding loans.

Total Cash Position Continues to Shift Toward Long Term Cash

The components of cash and investments continue to shift from short-term to long-term instruments. The long-term investments presented here by the Trust predominantly consist of debt-service reserve funds. The Trust utilizes its cash in the debt service reserve funds to collateralize long-term bonds thereby making more money available for loans to more cities and towns.

The long-term investments are held in guaranteed investment contracts, or GIC's, which are similar to a certificate of deposit (CD's) in that they pay a fixed yield. A GIC differs from a CD in that the principal can be withdrawn at any time (for example, in the case of a loan default) without a principal penalty. Furthermore, the GICs held by the Trust are with "AA" or "AAA" rated institutions and are all over-collateralized (more than 100% of principal and interest due to the Trust) with the most secure investments available, United States Treasury and Agency securities. A higher long-term position is reflective of prudent investment management, as these GIC's are at higher, guaranteed rates than are available at current market interest rates.

Short-term cash is largely invested in Massachusetts Municipal Depository Trust, a \$1 net asset value money market fund, managed by the Commonwealth in conjunction with Fidelity Investments and State Street Bank and Trust Company. The components of short-term cash include interest earnings, unspent reserved short-term project funds and a minimal amount of funds not yet earmarked for future loans.

During FY05, the Trust continued to draw capitalization grants from the U.S. Environmental Protection Agency (EPA). These draws totaled more than \$75.1 million. Interest earnings, net

of bond interest expenses totaled nearly \$35.4 million, and cash released back to the Trust from long-term reserve funds amounted to almost \$39 million.

Other Assets and Liabilities Continue to Grow

While most of the Trust's loan portfolio has a 20 year term, the Trust continues to offer an extended financing program, allowing borrowers to finance an eligible project with the Trust through the execution of a bond purchase agreement with a repayment term of up to thirty years. This arrangement allows cities and towns a longer repayment term, attempts to match a loan amortization schedule with asset life and makes water and sewer projects more affordable for local ratepayers.

In FY2005, the Trust completed two more transactions. In September 2004, the Trust issued its Pooled Program Refunding Bonds, Series 2004 A & B for \$645.6 million. This transaction allowed for the defeasance of \$592.9 million of previously issued debt, reducing debt service costs by \$42.9 million (\$26.7 million at net present value) over the next 25 years.

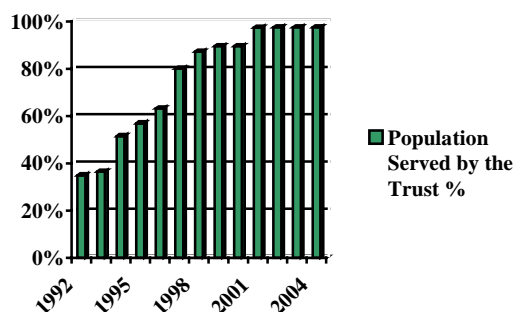
The Trust also issued its Pooled Loan Program, Series 10 for \$317.2 million. It was comprised of 78 loans – 56 in the clean water category, 22 in the drinking water category. Of the \$317.2 million issued for new construction, \$221.9 million was for clean water projects, with \$129.3 million for 11 loans opting for extended financing (30 year) terms. The balance of the Pool 10 issue, \$95.2 million was issued as the Trust's latest group of drinking water loans.

The Trust Continues to Maintain AAA/AAA/Aaa Credit Ratings

The high credit rating of Trust bonds is due to several factors, including the security of their related structures, which have traditionally provided debt service reserve funds that approach to 50% of the outstanding principal of each bond issue. Under the current leveraged program, Trust bonds will be collateralized by debt service reserve funds of 33.33% as the interest rate of 2% is charged to the local borrowers in accordance with legislation passed in FY2000. The earnings from these reserve funds help to subsidize borrower repayments to the Trust and, along with the funds themselves, are available to pay debt service on the bonds in the event of a borrower default. The reserve funds are invested in over-collateralized guaranteed investment contracts, which also add to the creditworthiness of the bonds. Further enhancing the Trust's bonds is the fact that they are all cross-collateralized. This allows the Trust to pledge all assets in the program – regardless of clean water or drinking water classification – as security for Trust bonds. The ability of the Trust to intercept extensive state local aid payments to communities in the event of a default and the diverse make-up of the Trust's borrower pool are also significant factors in the strength of the Trust's creditworthiness. Based upon these various types of security, the Trust's Pool program (the vehicle through which most constituents borrow) is rated "AAA" by all three rating agencies. One of those agencies, Fitch Ratings, has indicated that the Trust Pool Program is the strongest in the country.

2005 Trust Operations

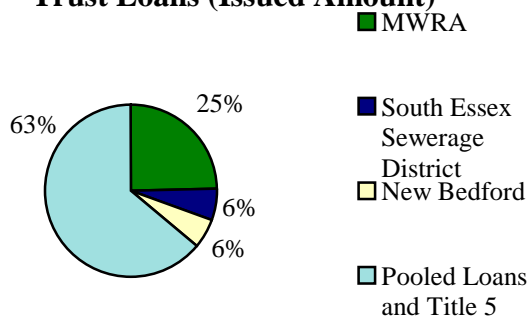
Including loans closed during 2005, 97% of the population of the Commonwealth is served by projects financed or subsidized through the Trust. This includes residents in communities participating in the Title 5 septic system repair program as well as those served by the more traditional projects financed through leveraged borrowings. This year, the Trust financed projects for fifteen new borrowers in the Pool 10 transaction. First time borrowers included Adams, Douglas, East Longmeadow, Hanson, Newbury, Pepperell, Rockland, and Rutland. This brings the number of communities and governmental units participating in the Trust's loan programs to 252. Many of the Trust's borrowers are not part of traditional sewer systems. They benefit from Trust financing available



under the Commonwealth's Title 5 Septic System Repair and Replacement program. With the issuance of Pool 10, another \$4.4 million was earmarked for the Title 5 program, bringing the total borrowed to date for Title 5 projects to \$31.9 million. In addition to the traditional use of these funds to assist individual homeowners, a portion is used to tackle large projects that are Title 5 in nature but have much broader benefits than the single-residence projects. Large-scale Title 5 projects, which address entire neighborhoods or sections of communities, are underway in the sensitive Wachusett Reservoir watershed in the Towns of Holden and West Boylston. The Trust's Title 5 program continues to be one of the most effective programs nationally in addressing non-point sources of pollution.



Trust Loans (Issued Amount)



One of the hallmarks of The Trust is the diversity of borrowers and projects that we finance. Large, multi-year treatment plant projects receive more attention simply because of their scope and cost but the Trust is also committed to smaller borrowers through our Pooled Loan financings. These bond issues allow many cities and towns to complete more modest projects that they would not normally be able to finance as efficiently or cost-effectively on their own. By participating in our pooled financing program, borrowers can implement

projects while enjoying extremely attractive financing rates and savings achieved through economies of scale.

Since the creation of the Safe Drinking Water SRF program the Trust has financed several projects for privately-owned public drinking water systems, as expressly intended by Congress and EPA. Most recently, in FY2004, a loan was issued to Aquarion, a privately-owned company for improvements to the drinking water system that services that Town of Millbury.

Legislative Impact on Future Funding

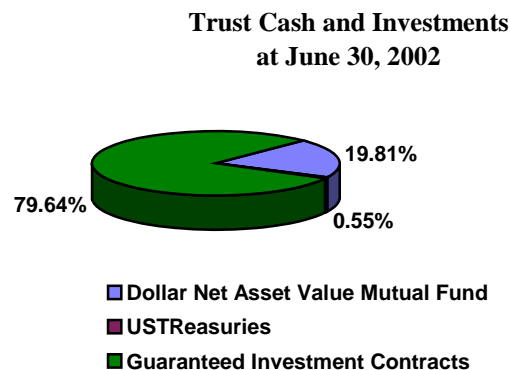
Congress has continued to provide annual capitalization grant funding for Clean Water SRF programs despite the fact that reauthorization of the Clean Water Act has been stalled since 1995. However, this appropriation has suffered major cuts this year. The Trust is working with the Council of Infrastructure Financing Authorities (CIFA), which acts as a liaison between States, Congress and EPA to encourage reauthorization. Massachusetts has authorized \$46.5 million in state funding to match anticipated federal grants through FY2007, a strong indication of the Commonwealth's support of the program.

With respect to the drinking water program, Congress passed the Safe Drinking Water Act, which was signed by President Clinton on August 6, 1996. Federal appropriations combined with Commonwealth matching grants and the Trust's ability to leverage its capital, may allow the Trust to provide adequate funding for the foreseeable future. The Commonwealth continues to provide for matching funds for Safe Drinking Water federal capitalization grants in support of this program as well.

While the continuation of federal grants provide new equity for the Trust each year, the revolving aspect of our program has become an increasingly significant element of our annual uncommitted equity, particularly with regard to the Clean Water fund. Even if federal funding of Clean Water SRF programs were to be scaled back from current levels, the repayment of outstanding loans would generate a sufficient level of funds to allow the Trust to continue to issue new loans. Trust equity revolves as the result of the repayment by borrowers of principal on existing direct loans and the release of debt service reserve funds that secure leveraged loans. These "free ups" are returned to the equity fund and can be utilized to fund new loans. In FY2005, free-ups totaled almost \$39 million. Interest earnings realized through investment of Trust equity funds represent an additional contribution to equity that serves to increase available capacity to provide new financing. Management believes that the size of the annual "free ups" for the Clean Water program is an obvious indicator that the Massachusetts SRF program is developing as Congress expected state programs would when they authorized the SRF concept in 1987. Our success over the years in rapidly converting new equity to new loans is now resulting a level of recycled funds that can provide a considerable level of new project financing independent of the stream of new federal capitalization each year. Because it is a relatively new program and the size of the capitalization grants are substantially smaller than those of the Clean Water program, the equity position of the Drinking Water program is less robust. The amount of "free ups" from this program that are contributing to the equity are modest and anticipated to remain so for several more years.

Other Financial Results

In FY2005 assets of the Trust increased to \$4.3 billion. The amount of bonds payable also rose in conjunction with the issuance of the Pool 10 transaction. The Trust disbursed over \$323.6 million in project fund outlays to local governmental units for construction costs. Income was up again this year, another record year. As noted earlier in this report, the Trust is shifting its focus towards “long-term” cash, as much of the Trust’s excess capacity has now been committed. This trend is likely to continue as capitalization sources remain constant or, perhaps, decline in the future.



Our program achievements continued to place us at or near the top in several categories used by EPA to evaluate effectiveness of SRF programs. According to EPA’s Information Management System, for the year ended June 30, 2004, the Trust remained in the **top 10** in the country in the pace of funds used, first in the amount of funds provided to borrowers as a percentage of federal grant funds and first in the number of projects financed. The Trust was in the top six in four other categories. The Trust continues to be recognized by EPA as one of the model SRF programs in the country.

Cash Management and Risk Financing

In fiscal 2005, the Trust experienced a net inflow of cash and cash equivalents of nearly \$16.4 million, increasing the total combined cash and cash equivalents (excluding investment contracts) as of June 30 to nearly \$269 million. It is the Trust’s policy to treat all highly liquid investments with maturities of three months or less (other than reserve funds) as cash and cash



equivalents. With respect to its cash and cash equivalents, the Trust adheres strictly to a short-term investment policy of investing solely in obligations of the U.S. Treasury and its agencies and instrumentalities, authorized bonds of all states, banker’s acceptances, certificates of deposit and commercial paper with only the three highest classifications as established by the major rating agencies.

The Trust currently has long-term investments of over \$1.3 billion, held in over-collateralized GIC’s and U.S. Treasury securities. These investment contracts provide secure reserves for Trust borrowings and interest subsidies for communities. All of the Trust’s GIC’s include provisions

that require collateral be provided in the form of instruments of the U.S. government and its agencies. To date, no default of any sort has occurred on any of the Trust’s GIC’s.

Independent Audit

The Boston office of KPMG LLP completed its sixth audit of the Trust this year. For FY2005, KPMG LLP issued an unqualified opinion on the Trust's financial statements. KPMG LLP also issued a "Single-Audit" report as required by the Office of Management and Budget (OMB) Circular A-133. In this report, KPMG represented that there is no reported noncompliance that is material to the financial statements, no reportable conditions or material weaknesses in internal control over major programs, and that the Trust qualifies as a "low-risk auditee." However, KPMG reported that there was a material weakness in internal control over accounting and financial reporting and that there is a finding required to be reported under Sec. 510(a) of OMB Circular A-133. The Trust is currently addressing the issues raised by this report. Despite these issues, KPMG LLP represents that the financial statements of the Trust are free of material misstatement, as evidenced by their unqualified opinion.

Internal Control Environment and Accounting System

The Trust's internal controls structure provides Management with assurance that:

- financial and other resources are safeguarded against loss from unauthorized use or disposition;
- payrolls, payments and other transactions are executed in accordance with management authorizations;
- financial and statistical records and reports are accurate and reliable;
- applicable laws, regulations and policies are adhered to; and
- resources are efficiently and effectively managed.

The Trust employs a fully computerized and integrated accounting system in connection with its internal controls system. The accounting system satisfies the requirements of management to provide timely reporting of financial transactions in accordance with generally accepted accounting principles.

Tenth Consecutive Financial Statements Award

It is an honor to report that the Trust was notified that its 2004 Comprehensive Annual Financial Report has once again been awarded the most prestigious award in governmental financial reporting, the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting. The award is the Trust's tenth consecutive citation. This award represents a significant accomplishment by a governmental organization. The financial report submitted is judged by an impartial panel of industry experts and must demonstrate to the judges that the report provides a "spirit of full disclosure" and clearly communicates the financial story of the entity. The Trust is just the sixth recipient of this award in Massachusetts. Only one other SRF in the country has received this recognition.

Environmental Initiatives, Impact, Service Efforts and Accomplishments During 2005

Clean Water SRF Program

In 2005, the Department of Environmental Protection (DEP) issued its 13th Clean Water State Revolving Fund (SRF) Intended Use Plan. The Intended Use Plan (IUP) is a list of projects and the fundable portion of the Annual Project Priority List. The IUP lists the top rated projects eligible for SRF loans to use the annual program funding capacity. Each year DEP requests municipalities to submit Project Evaluation Forms for water quality problems and solutions determined at the local level to be priority capital expenditures. Over the last several years the Trust has led the nation by funding an increasingly expansive variety and significantly growing volume of projects. The Trust's creative fund management and DEP's innovative program

management have combined to create the fastest funding pace with the broadest range of project types in the nation. The sophisticated funding mechanism of the Trust uses high leveraging ratios and accelerated loan recycling to increase capital funds for innovative projects and stressed municipal budgets. DEP's expanded project eligibilities have allowed communities to seek capital funds to solve water pollution problems beyond the traditional wastewater management facilities. This year's report will center on how two separate state agencies have combined skills to coordinate funding and projects to meet the evolving challenges municipalities are required to address by the Environmental Protection Agency (EPA) under Clean Water Act.

On the following page a three-year ranking of program indicator data compiled by EPA in the SRF National Information Management System reveals that Massachusetts is the only state listed amongst these leading EPA program indicators [for the last three consecutive fiscal years](#). The long-term goal of the SRF program is to facilitate municipal compliance with the Clean Water Act. The Clean Water Act goal is to stop water pollution. The Commonwealth's objective is to create an aggressive low cost funding source with flexible program eligibilities to provide the municipality the opportunity to comply with the CWA using innovative technology. A measurement of that goal is the SRF program's ability to keep pace with the federal funding and programmatic flexibility provided to communities to use low cost financing and agile program options to solve a range of water quality improvement funding problems. On a national scale, the Commonwealth of Massachusetts has set the pace against which all other state programs are measured.

The volume of CWSRF dollars has risen rapidly due to the Trust's aggressive leveraging and recycling mechanisms. The ability of the Trust to generate and manage capital and DEP's ability to develop and manage projects has generated more than \$2.7 billion in program capacity through 2005. The Commonwealth's SRF program ranks third in dollar volume among the nation's fifty state programs and is only the 14th largest recipient of EPA funds.

EPA National Information Management System State Comparison (2002-2004)

Fund Utilization (Loans Made as a Percent of Funds Available)																										
Rank			FY02 (Percent)			Rank			FY03 (Percent)			Rank			FY04 (Percent)											
1			Wisconsin			114			1			Rhode Island			168			1			Rhode Island			145		
2			Kansas			109			2			Wisconsin			117			2			Wisconsin			106		
3			Massachusetts			108			3			Arizona			113			3			Florida			106		
4			California			106			4			New Hampshire			106			4			Oregon			106		
5			Connecticut			104			5			Massachusetts			105			5			New York			105		
																		6			Idaho			105		
																		7			New Hampshire			103		
																		8			Massachusetts			102		
National Average						91									92									92		
Assistance Provided (Loans Made as a Percent of Cap Grants)																										
Rank			FY02 (Percent)			Rank			FY03 (Percent)			Rank			FY04 (Percent)											
1			Massachusetts			328			1			Rhode Island			439			1			Rhode Island			429		
2			Connecticut			320			2			Massachusetts			341			2			Minnesota			379		
3			Alabama			309			3			Minnesota			325			3			Massachusetts			364		
4			Kansas			304			4			Alabama			312			4			Kansas			338		
5			Texas			295			5			Connecticut			306			5			Connecticut			314		
National Average						197						208												219		
Gross Dollars Loaned																										
Rank			FY02 (Million \$)			Rank			FY03 (Million \$)			Rank			FY04 (Million \$)											
1			New York			5,808			1			New York			6,423			1			New York			7,193		
2			Texas			3,058			2			Texas			3,144			2			Texas			3,213		
3			Massachusetts			2,429			3			California			2,742			3			California			2,968		
4			California			2,404			4			Massachusetts			2,676			4			Massachusetts			2,856		
5			Ohio			2,075			5			Ohio			2,305			5			Ohio			2,665		
National Average						756						849												939		
Loans Made (Number of Projects Funded)																										
Rank			FY02			Rank			FY03			Rank			FY04											
1			Ohio			1,299			1			Ohio			1,484			1			Ohio			1,625		
2			Minnesota			895			2			Minnesota			1,012			2			Minnesota			1,157		
3			New York			764			3			Delaware			831			3			Delaware			885		
4			Massachusetts			753			4			New York			820			4			New York			881		
5			Delaware			749			5			Massachusetts			817			5			Massachusetts			856		
National Average						246						274												300		

EPA National Information Management System State Comparison (2002-2004)

Disbursements								
Rank	FY02 (Million \$)		Rank	FY03 (Million \$)		Rank	FY04 (Million \$)	
1	New York	5,621	1	New York	6,291	1	New York	7,117
2	Texas	2,996	2	Texas	3,054	2	Texas	3,154
3	California	1,980	3	California	2,257	3	California	2,533
4	Massachusetts	1,911	4	Massachusetts	2,166	4	Massachusetts	2,379
5	Ohio	1,535	5	Ohio	1,730	5	Ohio	1,907
National Average		638			714			798
Nonpoint Source Funding								
Rank	FY02 (Million \$)		Rank	FY03 (Million \$)		Rank	FY04 (Million \$)	
1	New York	600	1	New York	642	1	New York	688
2	California	205	2	California	205	2	California	221
3	Ohio	111	3	Ohio	128	3	Ohio	141
4	New Hampshire	95	4	New Hampshire	98	4	New Hampshire	99
5	Wyoming	79	5	Wyoming	91	5	Wyoming	99
6	Maryland	72	6	Minnesota	81	6	Minnesota	93
7	Minnesota	66	7	Maryland	73	7	New Jersey	85
8	New Jersey	58	8	New Jersey	68	8	Maryland	77
9	Massachusetts	48	9	Washington	51	9	Washington	54
10	Washington	45	10	Massachusetts	49	10	Massachusetts	50
National Average		30			33			36
CSO Funding								
Rank	FY02 (Million \$)		Rank	FY03 (Million \$)		Rank	FY04 (Million \$)	
1	Michigan	902	1	Michigan	967	1	Michigan	997
2	Illinois	485	2	Illinois	562	2	Illinois	677
3	New York	445	3	New York	510	3	New York	712
4	Massachusetts	203	4	Massachusetts	313	4	Massachusetts	383
5	California	182	5	Rhode Island	287	5	Rhode Island	293
National Average		57			71			83
Storm Sewers Funding								
Rank	FY02 (Million \$)		Rank	FY03 (Million \$)		Rank	FY04 (Million \$)	
1	Massachusetts	82	1	Massachusetts	87	1	Massachusetts	90
2	Florida	37	2	Florida	52	2	Florida	67
3	North Dakota	12	3	South Dakota	13	3	New Jersey	14
4	Colorado	11	4	North Dakota	12	4	South Dakota	13
5	South Dakota	11	5	New Jersey	11	5	North Dakota	12
National Average		4			4			5

Source: 2004 EPA National Information Management System Data. Published November 2004.

As the funds available for projects have risen at a rapid rate, the loans made are keeping up with the program's funding capacity. In 2005, the Trust made an additional \$336 million in loans pushing the aggregate program total over \$2.5 billion. Financed project categories include Non-Point Source (NPS), Combined Sewer Overflow (CSO), and Stormwater Management (SWM), and Wastewater collection and treatment systems.

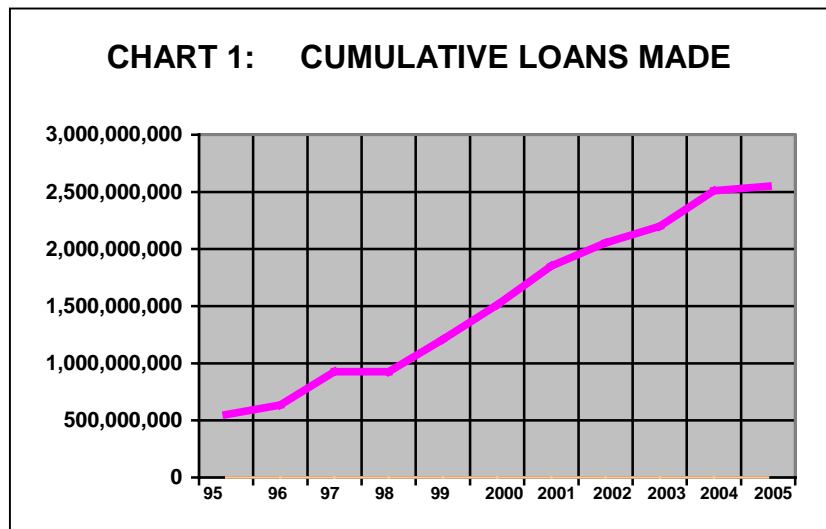
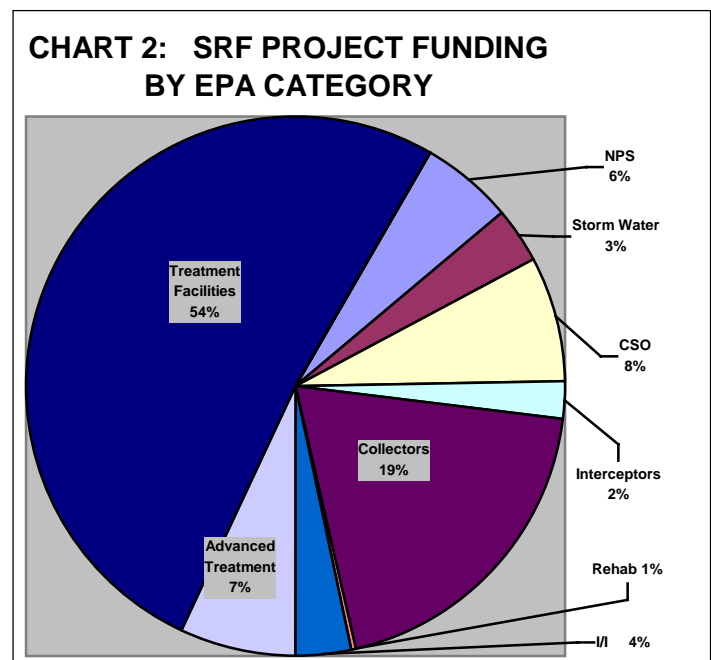


Chart 2 demonstrates the expansiveness of the Commonwealth's priority setting process and the flexibility of the project evaluation review. The SRF priority setting process is geared towards funding the most significant water quality and public health problems. Water quality degradation and severity of the threat to public health are the key components of DEP's project evaluation.

Underlying all the programmatic success is the ability of the Trust and DEP to work jointly to keep pace with the enormous volume of loans. Chart 3 illustrates how rapidly the projects funded with SRF loans moved beyond the \$2 billion milestone. The top line is the cumulative volume of loans made ramping up from 1991 with a lower comparative line of cumulative disbursements made to borrowers from those loans during the same time period. There are several reasons for the narrow gap between the dollar amount of loans made and the dollar volume of disbursements. This trend is partially due

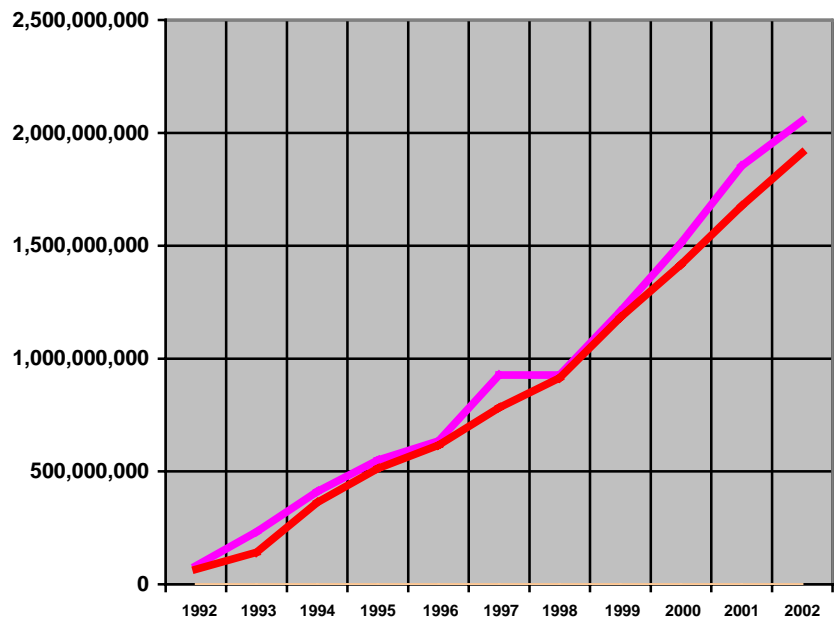


to the DEP policy that any project requiring more than a 24-month building phase must be funded on a yearly basis. This has enabled DEP to plan projects on a cash flow basis each year thus allowing many smaller, less time consuming projects to proceed sooner. Since 1998 the IUP has on average redistributed \$50 million of SRF funds from large to small projects. That accumulates into \$400 million in reallocated project funds in over eight IUPs.

The gap is also narrowed by the joint commitment of the Trust and DEP to the SRF borrowers to process payments in less than ten days. This rapid payment process, coupled with a

fast track construction procurement approval review, a construction management system that requires monthly project inspections, and rapid turnaround on change order requests and closeout documentation quickens the pace of the projects. Furthermore, most states typically require SRF borrowers to seek third party interim project financing during construction while the SRF waits for the end of construction to provide the permanent funding source. This results in the typical SRF loan being committed to the borrower years before funds are disbursed and repayments begin. Alternatively, the Commonwealth program provides the interim loan as well as the permanent loan. The construction finance relationship fosters both a consistent cash flow in the contract management aspect of the project, as well as much needed monitoring of the project from DEP construction experts to drive the timely completion of the project. The result is a construction phase that achieves an average 3% savings on the total volume of loans and an average construction project term of just over two years. This has the beneficial effect of recovering at least 3% of every IUP within three years. Over the last ten IUPs the department has saved nearly \$60 million dollars in this manner, dollars that have been recycled back into the program as equity for new loans.

CHART 3: CUMULATIVE LOANS WITH DISBURSEMENTS



Environmental Benefits

The Commonwealth and its communities and wastewater districts derived or will derive extensive environmental and public health benefit from the investments listed on the Intended Use Plan. Among the IUP listing are projects to mitigate CSO discharges; projects to upgrade Wastewater Treatment Plants; sewer projects, including new construction and system rehabilitation; and non-point source pollution mitigation projects. Selection of these proposals as high priority financing objectives is the culmination of years of effort by the MA Department of Environmental Protection; which effort includes technical assistance, compliance activity, enforcement orders and long-range planning by the community. Each aspect of those efforts contributes to the overall success of the SRF program and the environmental or public health

benefits described here as having been, or expected to be achieved by implementation of the projects, should not be construed to be entirely dependent upon SRF financing investments.

Projects that mitigate CSO discharges prevent hundred of millions of gallons of untreated sewage-contaminated stormwater from reaching receiving waters. Massachusetts selected 6 CSO construction projects in 2005. Untreated stormwater contains bacteria, metals, volatile organics and biosolids that are toxic to aquatic life and harmful to humans. CSO discharges cause numerous rivers and harbors to fail to meet water quality standards. The projects financed represent the first phase of the State's attempt to eliminate the most egregious of the CSO outfalls, while the Commonwealth communities develop a long-term strategy that will strive to eliminate all CSO, with crippling the economy of the community.

Eleven wastewater treatment plant construction or rehabilitation projects were selected for financing. The benefit to these projects is not in most cases as readily apparent as with CSO projects. In many instances, the plants are fully compliant with their current NPDES limits, so problems such as overflows of untreated wastewater are not a problem. However, given the advanced age and size of the plants, they have a definite susceptibility to failure, making the SRF investment a pollution prevention approach to wastewater treatment. Among the wastewater project financed are several that will reduce nutrient loads such as nitrogen and phosphorous, to the receiving waters. EPA has taken aim on the affect of nutrient load to receiving waters and the NPDES limits for many wastewater facilities have, as a result been tightened. Reducing of the nutrient load improves water quality, as fewer algae blooms occur, more oxygen is available in the water column to indigenous species and the recreational value of the water body is enhanced.

Sewer projects account for 26 of the construction projects to be financed. Four of the sewer projects involve removal of infiltration and inflow from systems, which has the benefit of reducing the volume of clean water that is treated unnecessarily and the volume of water that is transported way form its origin, which in some cases cause stress to the water cycle in the area. Other sewer projects repair or replace undersized or aged leaking pipes, eliminating the introduction of untreated sewage to the environment and the concurrent risk of public exposures. The remaining sewer projects are providing wastewater treatment conveyance for areas with widespread incidences of failed on-site septic systems. Failed systems create exposure problems for the residents in the service area, and tend to contribute significant volume of nutrients to the receiving waters, damaging the ecosystem and encouraging eutrophic conditions.

SRF investments, as part of an overall State strategy of compliance with and enforcement of the Clean Water Act, enhance protection of the public health, prevent, mitigate or reverse environmental damage to receiving waters and in most instances create economic benefits through construction and engineering jobs, increase opportunity for recreational and commercial opportunities and enhance the property values of real estate within eyesight of restored surface waters. Massachusetts uses the SRF financing mechanism to an extensive degree in benefit to its citizens.

Safe Drinking Water SRF Program

The Drinking Water SRF program has issued its seventh Intended Use Plan since its authorization in 1997. A total of \$413,423,777 in projects has been approved in that time. The IUP process is identical to the CWSRF with Safe Drinking Water Act (SDWA) criteria driving the project evaluation process. The DWSRF program typically funds four types of projects: treatment filtration construction and upgrade, transmission pipeline construction, storage and new source development. The primary focus of the program is to assist communities in reaching the standards for water treatment set forth in the Safe Drinking Water Act. Since 1997, close to one hundred communities in the Commonwealth have benefited from DWSRF financing. Large and small, municipally-owned and privately-owned systems have financed projects through SRF.

The 2005 program continues to invest significantly in treatment plant construction or upgrade. Although 10 projects were financed in 2005, an increasing percentage of the financing is being dedicated to distribution system improvements. The trend suggests that the percentage spent on these projects, now just over 30%, will continue to grow because improvements on these systems are the largest capital cost facing the Commonwealth's public water systems.

The Drinking Water SRF also funded a variety of set-aside initiatives such as capacity development to allow system operators to maintain compliance with the SDWA, wellhead protection assessments, source water delineation and protection and small system technical assistance.

Public Health Benefits

Projects financed via the Drinking Water State Revolving Fund program enhance and protect the public health, by providing water that is safe to drink. As emerging science describes and quantifies the risk to public health from various organic and inorganic contaminants, treatment technologies and strategies are devised to protect water consumers from those risks. DW SRF financing is used to put these treatment technologies on-line in water systems across Massachusetts.

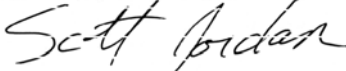
Benefit from DWSRF investment is, however, difficult to quantify. It is close to instinctual, human search for water that appears clean and safe to drink. The earliest efforts at public sanitation and public health revolved around protecting the drinking water. So while as a society we place great value on safe drinking water, and invest huge sums of money to that end, in a sense the benefit that investment is invisible. The numbers of citizens who avoid water-borne illness and even death, resulting from drinking acutely contaminated water is not empirical, and can only be arrived at through public health modeling.

Acknowledgments

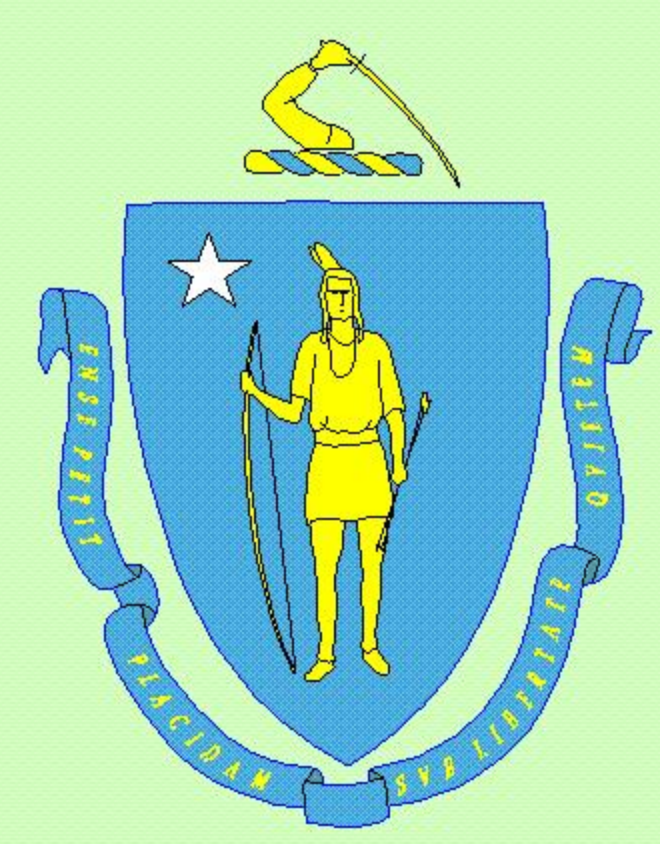
The Massachusetts Water Pollution Abatement Trust is a collaborative effort of the Massachusetts State Treasury, the Department of Environmental Protection, the Executive Office for Administration and Finance, and the U. S. Environmental Protection Agency. Without the hard work, strong support, and goodwill of people in each of these agencies, the work of the Trust would not get done.

To this team of professionals, our deepest gratitude. May we continue to make the Trust a national leader in providing low-cost financing for the people of the Commonwealth as we improve our environmental infrastructure.

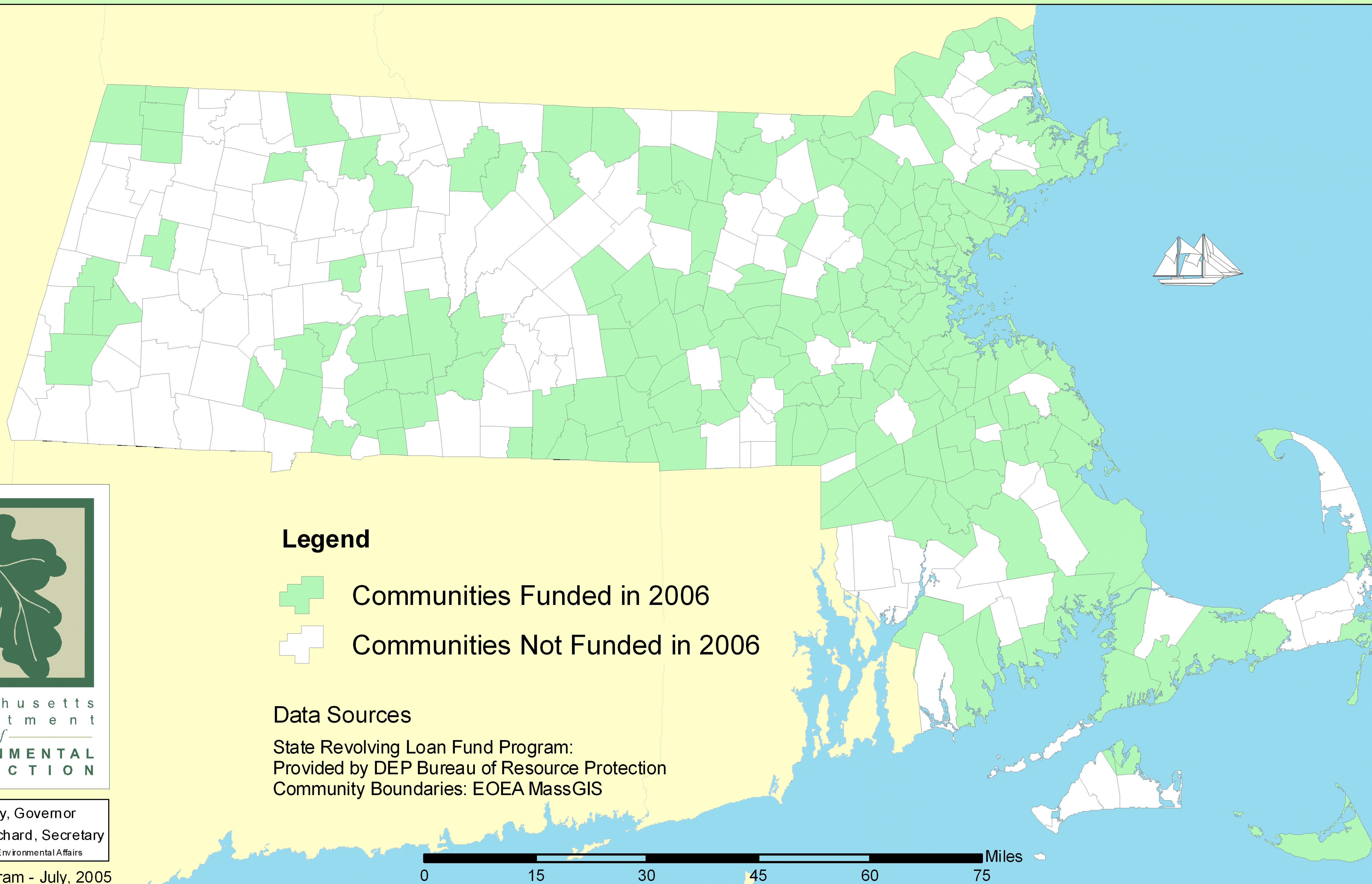
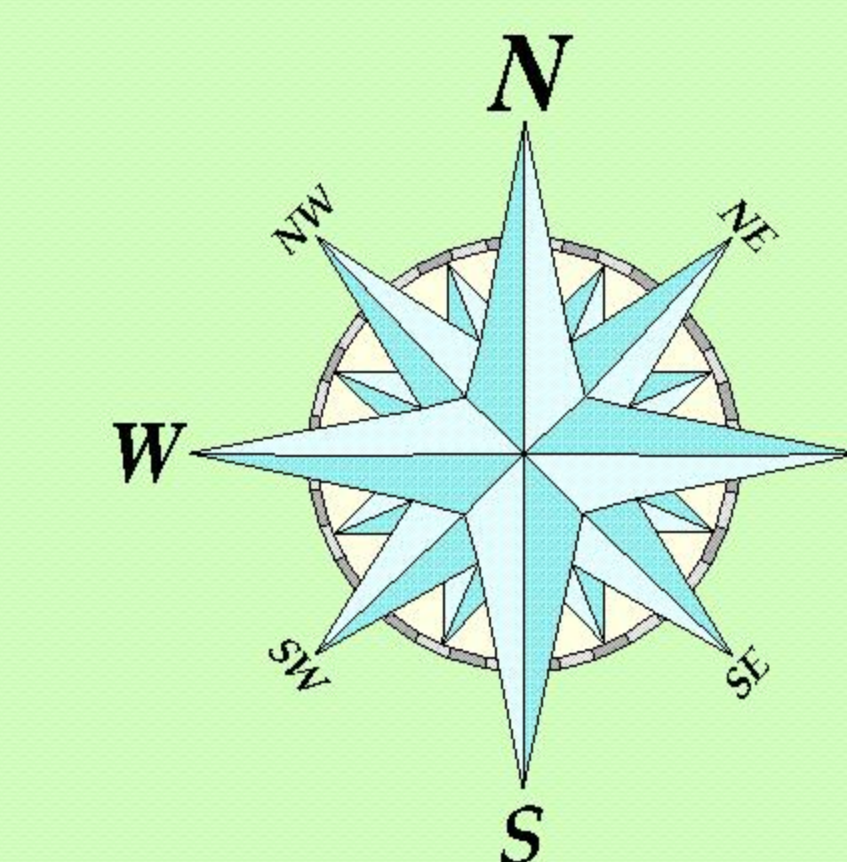
Respectfully submitted,

A handwritten signature in black ink, appearing to read "Scott Jordan". The signature is fluid and cursive, with the first name "Scott" and last name "Jordan" clearly distinguishable.

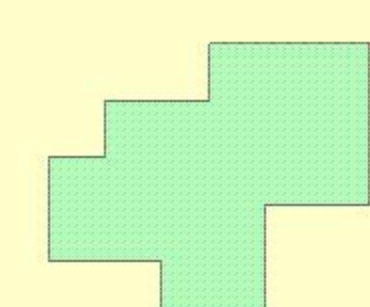
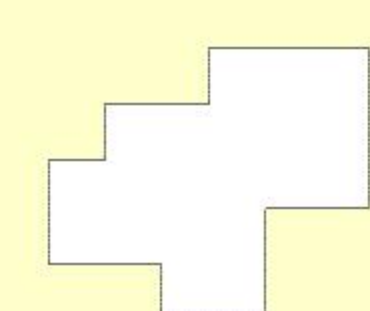
Scott A. Jordan
Executive Director



Massachusetts Water Pollution Abatement Trust Clean Water Communities (2006) State Revolving Loan Fund Program



Legend

-  Communities Funded in 2006
-  Communities Not Funded in 2006

Data Sources

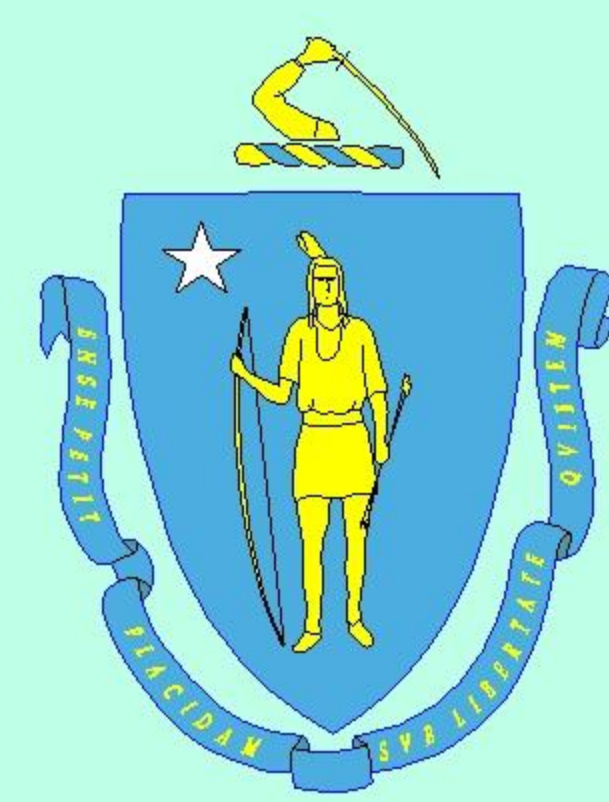
State Revolving Loan Fund Program:
Provided by DEP Bureau of Resource Protection
Community Boundaries: EOEA MassGIS



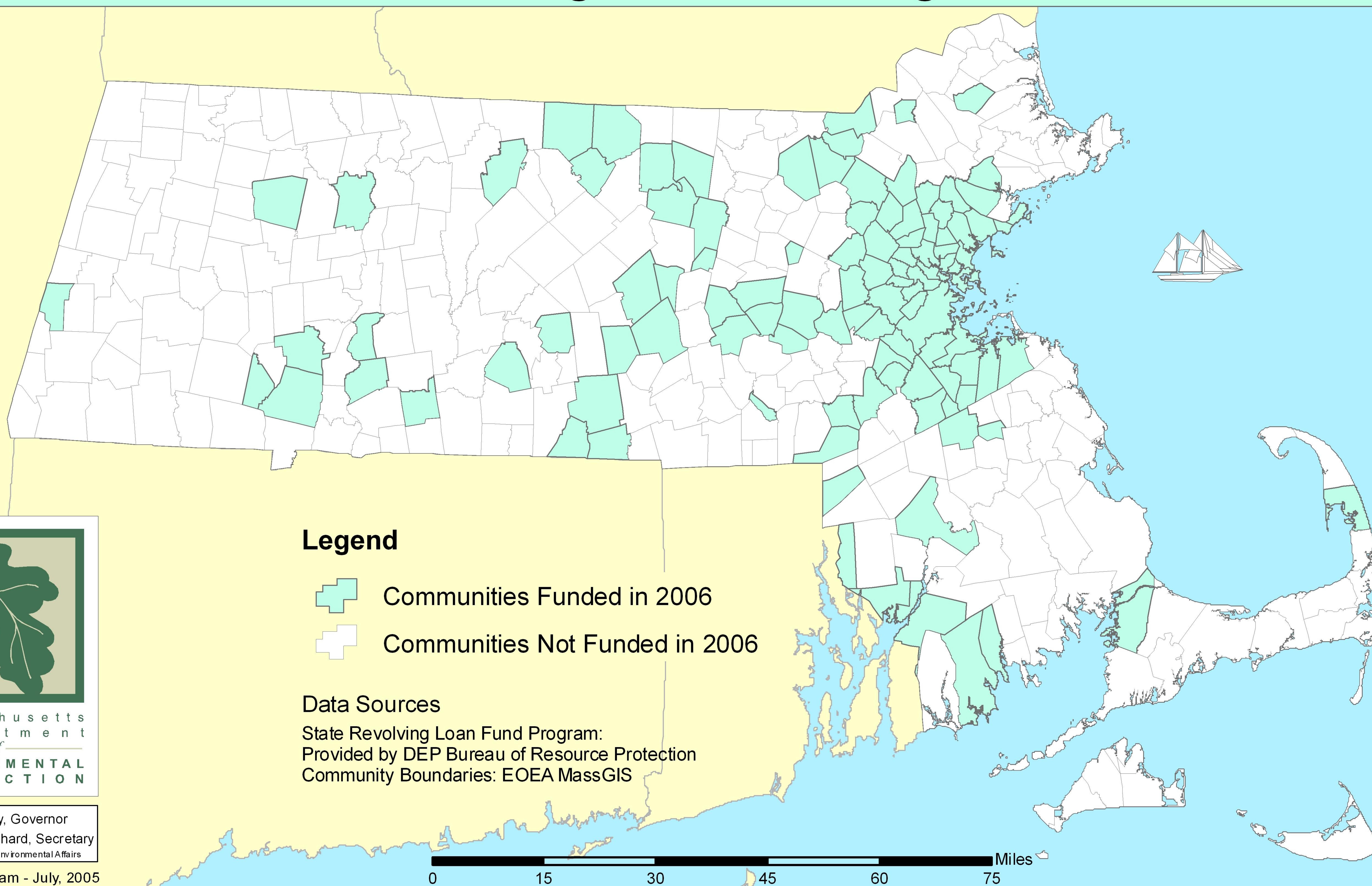
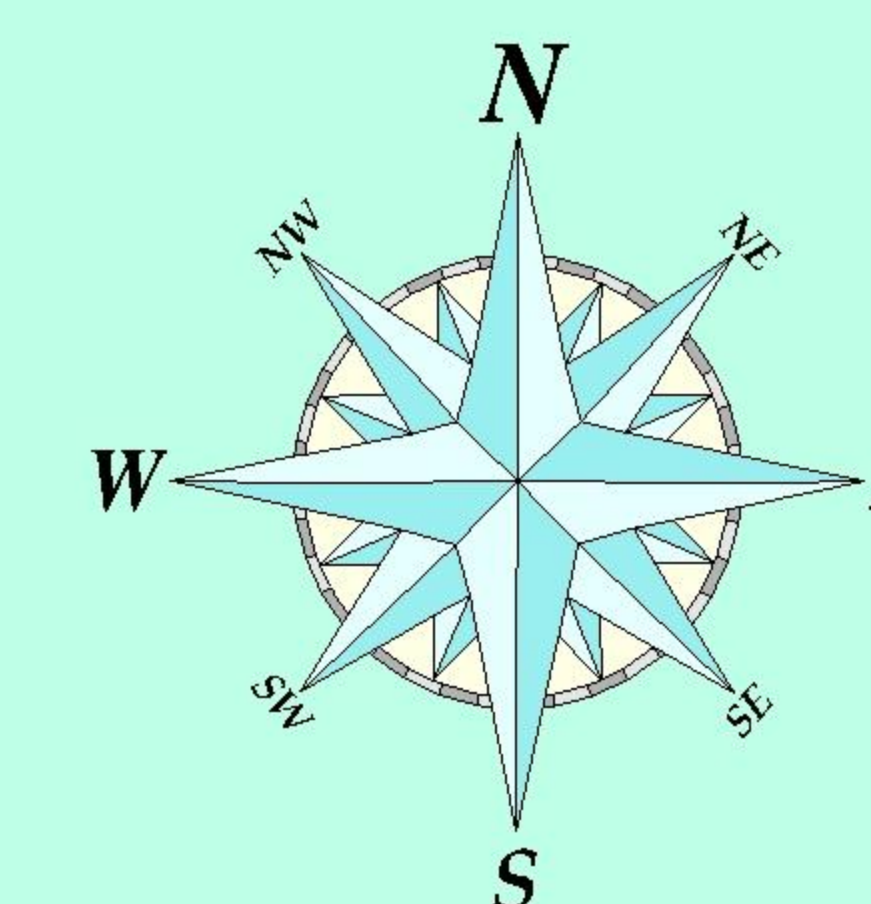
Massachusetts
Department
of
ENVIRONMENTAL
PROTECTION

Mitt Romney, Governor
Stephen R. Pritchard, Secretary
Executive Office Of Environmental Affairs

DEP GIS Program - July, 2005



Massachusetts Water Pollution Abatement Trust Drinking Water Communities (2006) State Revolving Loan Fund Program



Legend

-  Communities Funded in 2006
-  Communities Not Funded in 2006

Data Sources

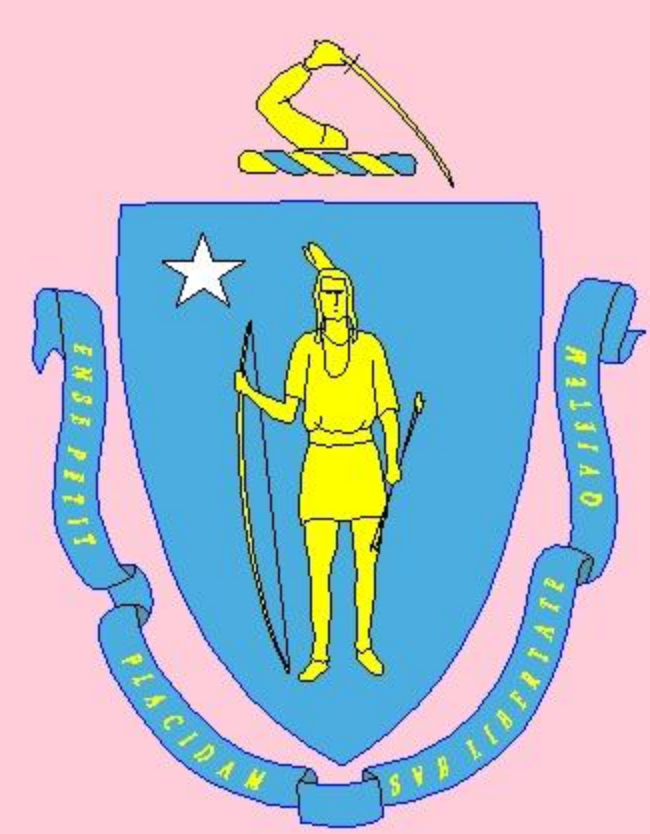
State Revolving Loan Fund Program:
Provided by DEP Bureau of Resource Protection
Community Boundaries: EOEa MassGIS



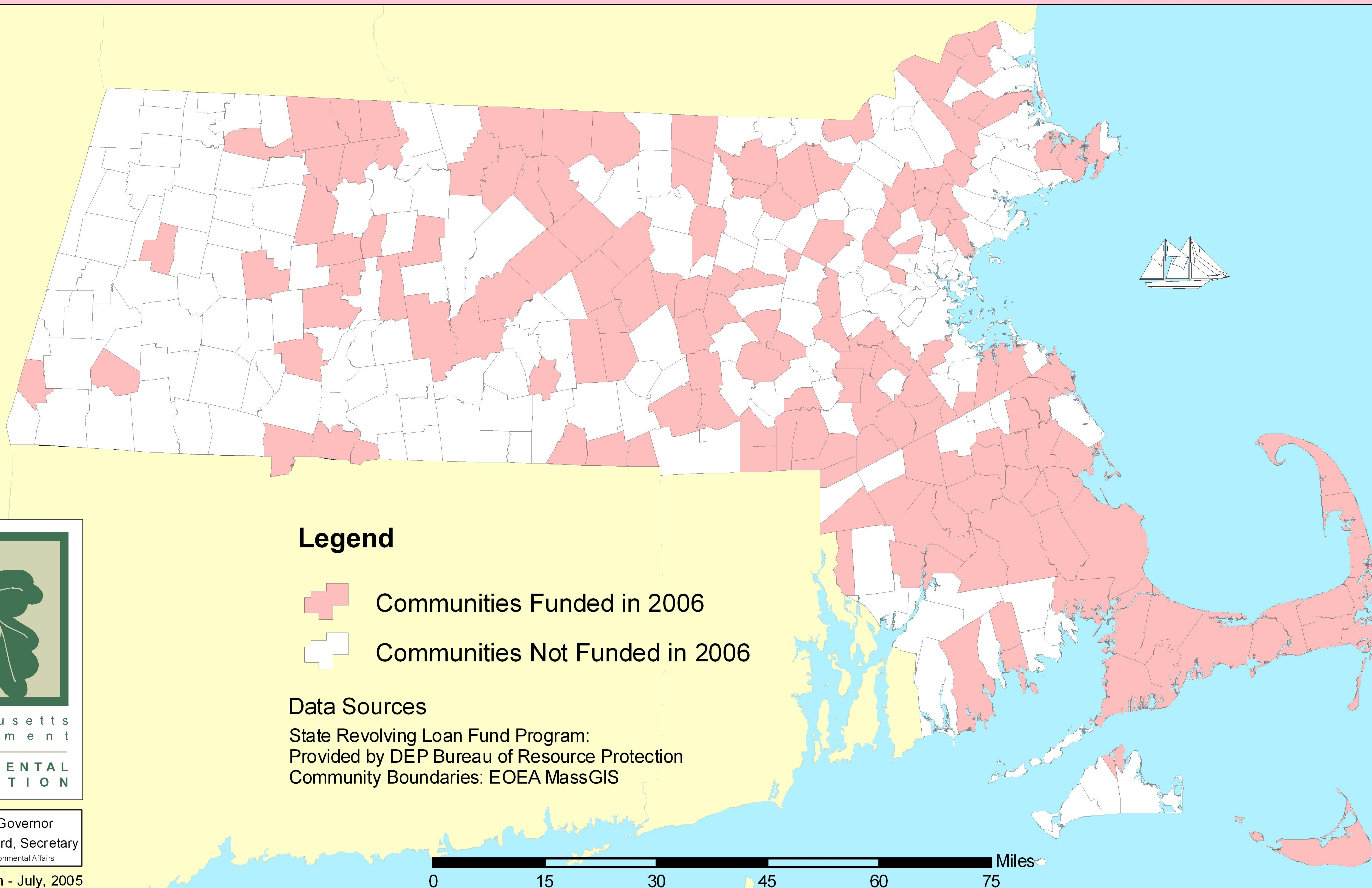
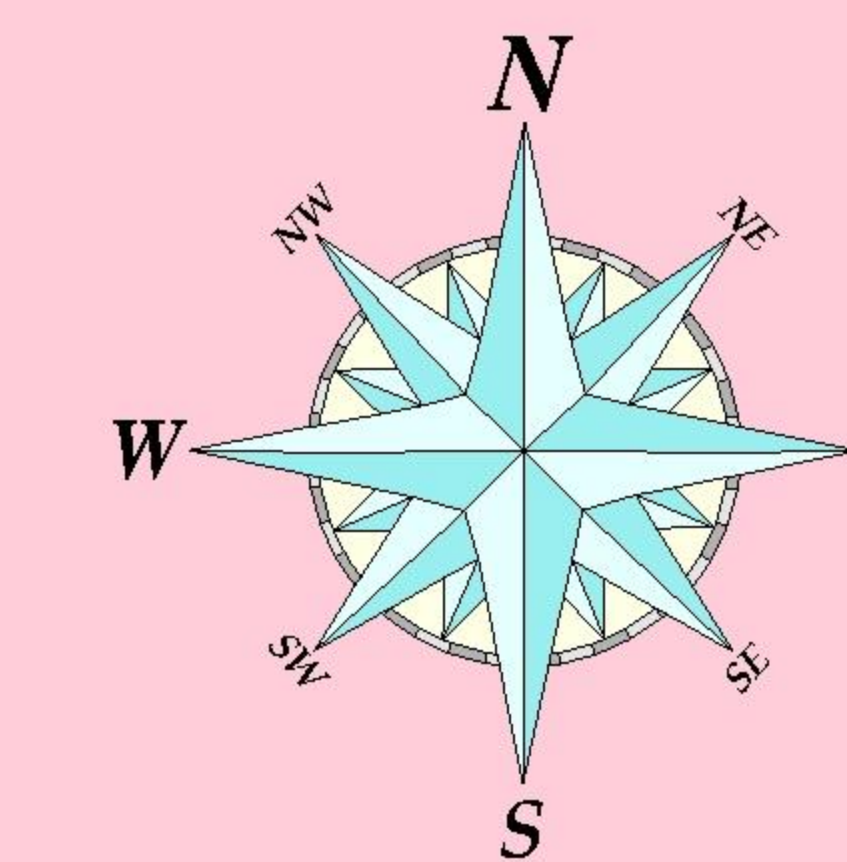
Massachusetts
Department
of
ENVIRONMENTAL
PROTECTION

Mitt Romney, Governor
Stephen R. Pritchard, Secretary
Executive Office Of Environmental Affairs

DEP GIS Program - July, 2005



Massachusetts Water Pollution Abatement Trust Title 5 Communities (2006) State Revolving Loan Fund Program



Legend

-  Communities Funded in 2006
-  Communities Not Funded in 2006

Data Sources

State Revolving Loan Fund Program:
Provided by DEP Bureau of Resource Protection
Community Boundaries: EOEa MassGIS



Massachusetts
Department
of
ENVIRONMENTAL
PROTECTION

Mitt Romney, Governor
Stephen R. Pritchard, Secretary
Executive Office Of Environmental Affairs

DEP GIS Program - July, 2005

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Massachusetts Water Pollution Abatement Trust

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

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Massachusetts Water Pollution Abatement Trust
Fiscal Years Ended June 30, 2005 and 2004
COMPREHENSIVE ANNUAL FINANCIAL REPORT

Financial Section

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**MASSACHUSETTS WATER
POLLUTION ABATEMENT TRUST**

(A Component Unit of the Commonwealth of Massachusetts)

Financial Statements and Required Supplementary Information

June 30, 2005 and 2004

(With Independent Auditors' Report Thereon)



KPMG LLP
99 High Street
Boston, MA 02110-2371

Telephone 617 988 1000
Fax 617 988 0800
Internet www.us.kpmg.com

Independent Auditors' Report

The Board of Trustees
Massachusetts Water Pollution Abatement Trust:

We have audited the accompanying financial statements of the Massachusetts Water Pollution Abatement Trust (the Trust), a component unit of the Commonwealth of Massachusetts, as of and for the years ended June 30, 2005 and 2004, as listed in the table of contents. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Trust as of June 30, 2005 and 2004, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 2 through 7 is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report, dated November 30, 2005, on our consideration of the Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

KPMG LLP

November 30, 2005

**MASSACHUSETTS WATER
POLLUTION ABATEMENT TRUST**
(A Component Unit of the Commonwealth of Massachusetts)

Required Supplementary Information
Management's Discussion and Analysis

Management's Discussion and Analysis

The following is management's discussion and analysis of the financial position and activities of the Massachusetts Water Pollution Abatement Trust (the Trust), a component unit of the Commonwealth of Massachusetts, for the fiscal years ended June 30, 2005 and 2004. This discussion is a narrative overview and analysis of our financial activities and should be read in conjunction with the accompanying financial statements.

Financial Highlights – Fiscal 2005

- Assets exceed liabilities by \$1.4 billion, a 7.2% increase over FY04, at the close of the fiscal year. Included in this number is loans receivable, which increased from \$2.3 billion in FY04 to \$2.5 billion and debt, which increased from \$2.3 billion to \$2.6 billion in FY05.
- Net assets increased by \$96.1 million from last year, an increase of 7.2%.
- Operating loss decreased by \$12 million from FY04, resulting in operating income of \$853,000 in FY05.
- The statement of cash flows indicates an increase in cash for the year of \$16.2 million.
- In FY05, the Trust continued to receive its Capitalization Grants from the Environmental Protection Agency in both the Clean Water and Safe Drinking Water programs. The Trust received \$45.4 million from the Clean Water Program and received \$29.7 million in the State Drinking Water Program. The Commonwealth provided a match of \$30.2 million for these federally funded programs. This has allowed the Trust to continue to expand the base of capital in the Revolving Fund and support the administrative costs without having to heavily rely on the Commonwealth of Massachusetts to keep the program viable.
- The Trust continues to maintain its ratings from all three major rating agencies on our bonds, allowing the Trust to continue to provide funds to communities at the lowest cost possible. The Trust's current ratings are:

<u>Ratings on Trust debt</u>	<u>Fitch IBCA</u>	<u>Moody's Investor's Service, Inc.</u>	<u>Standard & Poor's</u>
Pooled Loan Program	AAA	Aaa	AAA
MWRA Loan Program	AAA	Aaa	AAA
New Bedford Loan Program	AAA	Aaa (insured) Aa3 (underlying)	AAA
South Essex Sewerage District Loan Program	AAA	Aaa	AAA

Financial Highlights – Fiscal 2004

- Assets exceed liabilities by \$1.3 billion, a 2.6% increase over FY03, at the close of the fiscal year. Included in this number is loans receivable, which increased from \$2.1 billion to \$2.3 billion in FY04 and debt, which increased from \$2.1 billion to \$2.3 billion in FY03 and FY04, respectively.
- Net assets increased by \$34.5 million from last year, an increase of 2.6%.

**MASSACHUSETTS WATER
POLLUTION ABATEMENT TRUST**
(A Component Unit of the Commonwealth of Massachusetts)

Required Supplementary Information
Management's Discussion and Analysis

- Operating loss decreased by \$20.1 million from FY03.
- The statement of cash flows indicates an increase in cash for the year of \$27.1 million.
- In FY04, the Trust continued to receive its Capitalization Grants from the Environmental Protection Agency in both the Clean Water and Safe Drinking Water programs. The Trust received no funding from the Clean Water Program but received \$28.6 million in the State Drinking Water Program. The Commonwealth provided a match of \$9.2 million for these federally funded programs. This has allowed the Trust to continue to expand the base of capital in the Revolving Fund and support the administrative costs without having to heavily rely on the Commonwealth of Massachusetts to keep the program viable.
- The Trust continues to maintain its ratings from all three major rating agencies on our bonds, thus allowing the Trust to continue to provide funds to communities at the lowest cost possible. The Trust's current ratings are:

<u>Ratings on Trust debt</u>	<u>Fitch IBCA</u>	<u>Moody's Investor's Service, Inc.</u>	<u>Standard & Poor's</u>
Pooled Loan Program	AAA	Aaa	AAA
MWRA Loan Program	AA+ – AAA	Aaa	
New Bedford Loan Program	AA – AAA	Aaa (insured) Aa3 (underlying)	
South Essex Sewerage District Loan Program	AA	Aaa	

Overview of Financial Statements

The financial section of this report consists of the following parts: management's discussion and analysis (this section), the basic financial statements and the notes to the financial statements.

The Trust's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government enterprise funds. Under this method of accounting, an economic resources measurement focus and an accrual basis of accounting is used. Revenue is recorded when earned, and expenses are recorded when incurred. The basic financial statements include statements of net assets, statements of revenues, expenses, and changes in net assets, and statements of cash flows. This report also includes footnotes accompanying the statements to fully explain the activities reported in them.

The statements of net assets present information on the assets and liabilities of the Trust. The difference between the two is net assets. Over time, increases and decreases in net assets may be an indicator of the strength or deterioration of the financial health of the Trust.

The statements of revenues, expenses, and changes in net assets report the operating revenues and expenses and the nonoperating revenues and expenses of the Trust for the fiscal year. The difference – increase or decrease in net assets – then determines the net change in assets for the fiscal year. This change in net assets added to last year's net assets will reconcile to the total net assets for this fiscal year.

**MASSACHUSETTS WATER
POLLUTION ABATEMENT TRUST**
(A Component Unit of the Commonwealth of Massachusetts)

Required Supplementary Information
Management's Discussion and Analysis

The statements of cash flows report activity of cash and cash equivalents during the fiscal year resulting from operating activities, capital and related financing activities, noncapital financing activities, and investing activities. The net result of these activities is reconciled to the cash and cash equivalent balances reported at the end of the fiscal year. This statement is prepared using the direct method of presentation which allows the reader to easily discern the amount of cash received from grantors, borrowers and financial institutions and how much cash was disbursed to borrowers, suppliers and bondholders.

Financial Analysis of the Trust

Net Assets

The Trust's net assets at June 30, 2005 were approximately \$1.4 billion, a 7.2% increase over the prior year (see Table A-1). Total assets increased 10.6% to \$4.3 billion, and total liabilities increased 12.3% to \$2.8 billion.

The Trust's net assets at June 30, 2004 were approximately \$1.3 billion, a 2.6% increase over the prior year (see Table A-1). Total assets increased 8.2% to \$3.8 billion, and total liabilities increased 11.4% to \$2.5 billion.

Table A-1
Massachusetts Water Pollution Abatement Trust's Net Assets
(In thousands)

	2005	2004	2003	Percentage change	
				2005-2004	2004-2003
Current assets	\$ 605,488	548,343	543,708	10%	1%
Loans receivable, long term	2,388,370	2,181,641	1,966,473	9	11
Other	1,259,311	1,117,289	1,044,981	13	7
Total assets	\$ 4,253,169	3,847,273	3,555,162	11	8
Current liabilities	\$ 196,426	172,987	157,806	14	10
Long-term debt	2,502,266	2,210,839	1,983,986	13	11
Other	119,105	124,180	108,568	(4)	14
Total liabilities	\$ 2,817,797	2,508,006	2,250,360	12	11
Net assets:					
Restricted	\$ 1,322,417	1,212,805	1,178,467	9	3
Unrestricted	112,955	126,462	126,335	(11)	0
Total net assets	\$ 1,435,372	1,339,267	1,304,802	7%	3%

**MASSACHUSETTS WATER
POLLUTION ABATEMENT TRUST**
(A Component Unit of the Commonwealth of Massachusetts)

Required Supplementary Information
Management's Discussion and Analysis

The Trust achieved higher interest income in FY05 and FY04 than was earned in FY04 and FY03, respectively. This was due to successful bids on the Guaranteed Investment Contracts necessary to support the Debt (Pool 9, Pool 8, and MWRA) transactions and by moving available, investible cash used to make interim loans from the Massachusetts Municipal Depository Trust (MMDT) into more lucrative tax-exempt, short-term instruments that had much higher yields. All of the Trust investment activities are subject to statutory allowable investments.

Long-Term Debt

The Trust incurs debt in order to fund communities' construction projects under the Clean Water and Drinking Water programs. This debt is offset by the loans receivable carried on the Trust's Statements of Net Assets as the debt service requirements of this debt are secured by loan repayments by the borrowers and investment and Commonwealth subsidies.

In FY05, the Trust's debt position increased by \$303.8 million to \$2.6 billion. This increase is the net change in debt due to the issuance of the Pooled Loan Program, Series 10 issue of \$317.2 million and the retirement of \$99.2 million of outstanding principal through regular payments to bondholders. The Trust also issued \$645.6 million in additional bonds to advance refund \$592 million of previously issued debt to take advantage of the current low interest rate environment. This refunding will net the Trust \$42.9 million (\$26.7 million net present value) in total annual savings over the next 25 years.

In FY04, the Trust's debt position increased by \$238.9 million to \$2.3 billion. This increase is the net change in debt due to the issuance of the Pooled Loan Program, Series 9 issue of \$311.6 million and the retirement of \$87.2 million of outstanding principal through regular payments to bondholders.

**MASSACHUSETTS WATER
POLLUTION ABATEMENT TRUST**
(A Component Unit of the Commonwealth of Massachusetts)

Required Supplementary Information
Management's Discussion and Analysis

Table A-2
Changes in the Massachusetts Water Pollution Abatement Trust's Net Assets
(In thousands)

	June 30,			Percentage change	
	2005	2004	2003	2005-2004	2004-2003
Operating revenues:					
Interest income	\$ 170,646	135,715	124,223	26%	9%
Other	3,603	2,040	3,219	77	(37)
Total operating revenues	174,249	137,755	127,442	26	8
Operating expenses:					
Interest expense	136,457	114,676	111,194	19	3
Grant disbursements	20,836	15,422	25,405	35	(39)
Program support	13,215	15,394	19,332	(14)	(20)
Other	2,888	3,466	2,790	(17)	24
Total operating expenses	173,396	148,958	158,721	16	(6)
Operating income (loss)	853	(11,203)	(31,279)	—	—
Nonoperating revenues:					
Operating grants	10,983	7,853	13,202	40	(41)
Capitalization grants	84,269	37,815	82,949	123	(54)
Total nonoperating income	95,252	45,668	96,151	109	(53)
Change in net assets	96,105	34,465	64,872	179	(47)
Total net assets, beginning of year	1,339,267	1,304,802	1,239,930	3	5
Total net assets, end of year	\$ 1,435,372	1,339,267	1,304,802	7%	3%

The increase in operating revenues from 2004 to 2005 by 26% is due primarily to a 26% increase in interest income, which resulted from the increased cash and investments generated through the issuance of the Pool 10 debt and realignment of investments due to market conditions. Nonoperating revenues increased by 109% due to the receipt of EPA Capitalization Grants and the timing of the receipt of said grants.

Operating expenses increased by 16% due to the increases in grant disbursements and interest expense.

The increase in operating revenues from 2003 to 2004 by 8% is due primarily to a 9% increase in interest income, which resulted from the increased cash and investments generated through the issuance of the Pool 9 debt and realignment of investments due to market conditions. This increase was offset by a 37% decrease in other income due to a decrease in Loan Administration fees as a result of principal balances being reduced while new fees from the Pool 9 issuance had not yet been implemented and a decrease in loan origination fees generated from Interim Loans because the Pool 9 issuance. Nonoperating revenues decreased by 53% due to a reduction in EPA capitalization grants and the timing of the receipt of those grants.

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Operating expenses decreased by 6% due to the decreases in grant disbursements and program support.

Loans Receivable

Subsidized financing has been an important incentive for many communities to undertake water and sewer infrastructure improvement projects. Since the enactment of Chapter 95 of the Acts of 1995, the Trust has been the Commonwealth's primary program to finance such improvements.

The Trust provides funding to communities through low-interest loan programs. The rate for Trust loans is set by statute at 2%, although projects approved prior to 2002 may qualify for a lower rate. The Trust's loan programs are very attractive to borrowers, and the Trust's loan portfolio continues to grow. Loan receivables increased from \$2.3 billion to \$2.5 billion, an increase of 9.5%, in FY05.

Future Economic Factors

In August 2002, the Commonwealth enacted Chapter 276 of the Acts of 2002. Sections 4 and 5 of the Act providing for \$46.5 million in matching capitalization funds for the Federal Clean and Drinking Water programs for the fiscal years of 2003 to 2007.

Requests for Information

This financial report is intended to provide an overview of the financial picture of the Massachusetts Water Pollution Abatement Trust for those with an interest in the agency. Any further questions regarding any of the information contained within this report may be directed to the Executive Director or the Treasurer at One Ashburton Place, 12th Floor, Boston, MA 02108.

**MASSACHUSETTS WATER
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Statements of Net Assets

June 30, 2005 and 2004

(In thousands)

	<u>2005</u>	<u>2004</u>
Assets:		
Current assets:		
Cash and cash equivalents (note 3)	\$ 268,801	252,615
Short-term investments (note 3)	85,581	76,308
Grants receivable:		
U.S. Environmental Protection Agency	14,418	15,243
Commonwealth of Massachusetts	13,150	15,650
Loans receivable, current (note 5)	141,954	128,222
Accrued interest receivable	81,584	60,299
Loan servicing fees receivable	—	6
Total current assets	<u>605,488</u>	<u>548,343</u>
Noncurrent assets:		
Project fund investments (note 3)	117,418	122,785
Loans receivable, long-term (note 5)	2,388,370	2,181,641
Long-term investments (note 3)	1,134,813	990,053
Other assets	7,080	4,451
Total assets	<u>4,253,169</u>	<u>3,847,273</u>
Liabilities:		
Current liabilities:		
Accrued expenses	13	371
Accrued interest payable	54,842	48,810
Current portion:		
Loan commitments and project funds payable	29,916	24,546
Long-term debt (note 6)	111,655	99,260
Total current liabilities	<u>196,426</u>	<u>172,987</u>
Noncurrent liabilities:		
Loan commitments and project funds payable	117,418	122,785
Accrued interest on capital appreciation bonds	1,687	1,395
Long-term debt, net (note 6)	2,502,266	2,210,839
Total liabilities	<u>2,817,797</u>	<u>2,508,006</u>
Net assets:		
Restricted (note 7)	1,319,287	1,212,805
Restricted – contract assistance (note 7)	3,130	—
Unrestricted (note 7)	112,955	126,462
Commitments and contingencies (note 8)		
Total net assets	<u>\$ 1,435,372</u>	<u>1,339,267</u>

See accompanying notes to financial statements.

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Statements of Revenues, Expenses, and Changes in Net Assets

Years ended June 30, 2005 and 2004

(In thousands)

	<u>2005</u>	<u>2004</u>
Operating revenues:		
Loan servicing fees	\$ 3,407	1,831
Loan origination fees	196	209
Interest income	<u>170,646</u>	<u>135,715</u>
Total operating revenues	<u>174,249</u>	<u>137,755</u>
Operating expenses:		
Commonwealth of Massachusetts:		
Department of Environmental Protection – programmatic support costs	13,215	15,394
General and administrative	1,362	1,373
Arbitrage rebate payments	1,526	2,093
Grant disbursements	20,836	15,422
Interest expense	<u>136,457</u>	<u>114,676</u>
Total operating expenses	<u>173,396</u>	<u>148,958</u>
Operating (loss) income	<u>853</u>	<u>(11,203)</u>
Nonoperating revenue:		
Operating assistance:		
Commonwealth of Massachusetts	7,853	7,853
Contract assistance:		
Commonwealth of Massachusetts (note 7)	3,130	—
Capitalization grant revenue:		
U.S. Environmental Protection Agency capitalization grants	75,069	28,615
Commonwealth of Massachusetts matching grants	<u>9,200</u>	<u>9,200</u>
Total nonoperating revenue	<u>95,252</u>	<u>45,668</u>
Increase in net assets	96,105	34,465
Beginning of year net assets	<u>1,339,267</u>	<u>1,304,802</u>
End of year net assets	<u>\$ 1,435,372</u>	<u>1,339,267</u>

See accompanying notes to financial statements.

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Statements of Cash Flows

Years ended June 30, 2005 and 2004

(In thousands)

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities:		
Cash received from borrowers	\$ 128,222	119,861
Interest received	145,823	126,737
Other cash received from customers	3,609	3,299
Loans and grants disbursed to recipients	(369,514)	(344,619)
Cash paid to suppliers	(19,090)	(18,763)
Interest paid	(128,172)	(109,506)
Net cash used for operating activities	<u>(239,122)</u>	<u>(222,991)</u>
Cash flows from capital and related financing activities:		
Proceeds from USEPA capitalization grants	75,894	89,935
Proceeds from Commonwealth matching capitalization grants	11,700	11,700
Net cash provided by capital and related financing activities	<u>87,594</u>	<u>101,635</u>
Cash flows from noncapital financing activities:		
Bonds proceeds	405,027	327,002
Repayment of bonds	(99,260)	(87,245)
Contract assistance	3,130	—
Operating assistance from Commonwealth of Massachusetts	7,853	7,853
Net cash provided by noncapital financing activities	<u>316,750</u>	<u>247,610</u>
Cash flows from investing activities:		
Purchases of investments	(469,486)	(666,901)
Proceeds from maturities of investments	320,450	567,751
Net cash used for noncapital financing activities	<u>(149,036)</u>	<u>(99,150)</u>
Net increase in cash and cash equivalents	16,186	27,104
Cash and cash equivalents, beginning of year	252,615	225,511
Cash and cash equivalents, end of year	\$ <u>268,801</u>	<u>252,615</u>
Reconciliation of operating income (loss) to net cash used for operating activities:		
Operating income (loss)	\$ 853	(11,203)
Adjustments to reconcile operating income (loss) to net cash used for operating activities:		
Amortization	(1,286)	(611)
Changes in operating assets and liabilities:		
Loans receivable	(220,461)	(223,529)
Accrued interest receivable	(21,285)	(7,492)
Loan servicing fees receivable	6	1,259
Other assets	(2,628)	86
Accrued expenses	(357)	11
Accrued interest payable	6,032	4,295
Loan commitments and grants payable	4	14,193
Net cash used for operating activities	\$ <u>(239,122)</u>	<u>(222,991)</u>

Noncash activity:

During 2005, the Trust issued \$645.6 million of bonds to advance refund \$592.9 million of outstanding bonds through an “in-substance” defeasance transaction.

See accompanying notes to financial statements.

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(1) Organization

The Massachusetts Water Pollution Abatement Trust (the Trust), a component unit of the Commonwealth of Massachusetts (the Commonwealth), was created by Chapter 275 of the Acts of 1989 of the Commonwealth (the Act) to implement the State Revolving Fund (the SRF) Program for the Commonwealth, contemplated by Title VI of the Federal Clean Water Act (the CWA). The Trust is governed by a board of trustees consisting of the State Treasurer, the Secretary of the Executive Office for Administration and Finance, and the Commissioner of the Department of Environmental Protection (the DEP).

The financial and management activities of the Trust are administered by employees of the State Treasurer's office. The project oversight and direction is provided by the DEP. Certain financial oversight is provided by the Executive Office for Administration and Finance. The Trust commenced operations in June 1990. The long-term goals of the Trust include creating and implementing an SRF program that provides a source of financing for water pollution abatement projects (the projects). Construction of projects on the National Municipal Policy List, the cleanup of Boston Harbor, and the correction of combined sewer overflows (CSO) are prime focuses for the federal SRF Program.

The Trust is authorized by the Act to borrow money through the issuance of revenue bonds and to apply the proceeds thereon, together with federal and state capitalization grants and other funds made available to the Trust, to make loans to local governmental units to finance the costs of eligible water pollution abatement projects (the Leveraged Loan Program).

During fiscal 1993, the legislature enacted an amendment to the Act. This law, Chapter 203 of the Acts of 1992 (Chapter 203), states that all eligible loans made by the Trust can have subsidies that accomplish a grant equivalency of 25%. This amendment further directs that certain projects on the DEP's Intended Use Plan prior to 1992 should receive higher subsidy levels.

Chapter 203 also reduces the total authorization for Commonwealth general obligation bonds for the Trust from \$1.3 billion to \$122 million. State matching funds for the federal SRF and reserve funds for the Commonwealth SRF continue to be funded through a general obligation bond source. However, all subsidy contributions now come from a Commonwealth Contract Assistance Agreement that is provided through the Commonwealth's annual operating budget and cannot exceed \$26 million in any one fiscal year. This has the net effect of reducing authorized Commonwealth debt while still ensuring funding for a perpetual state revolving fund.

During fiscal 1994, the Trust established an Interim Loan Program and a Small Direct Loan Program for local government units' borrowing needs. The Interim Loan Program provides temporary short-term financing to local government units that are to be subsequently refinanced through permanent leveraged loans. The Small Direct Loan Program finances single small projects where leveraged loans would not be financially feasible for the local government units.

During fiscal 1996, the Commonwealth approved an amendment to Chapter 29C of the General Laws to provide a subsidy or other assistance equivalent to a grant of 50% of the eligible costs of the project

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financed by the loan. The amendment is applicable for all loans issued after October 1, 1995. This amendment provides additional subsidy levels of up to \$8 million annually.

Amendments to the federal Safe Drinking Water Act adopted in 1996 provide for the establishment of additional state revolving fund programs to provide financial assistance to various community water systems (including for-profit companies) and not-for-profit noncommunity water systems for expenditures that will facilitate compliance with national drinking water regulations or otherwise advance the health protection objectives of the Safe Drinking Water Act. The Safe Drinking Water Act and draft regulations and other guidance issued by the United States Environmental Protection Agency contemplate that state revolving fund programs established in accordance with the Safe Drinking Water Act will operate under terms and conditions substantially similar to programs developed under the federal Clean Water Act. In addition, the amendments to the Safe Drinking Water Act provide Authority for the consolidation of a Safe Drinking Water Act revolving fund with a Clean Water Act revolving fund for purposes of investment and the issuance of, and security for, bonds.

During fiscal 1998, the Trust created a new fund to account for the receipts and disbursements in conjunction with the Commonwealth's Title V regulations. The Community Septic Management Program Fund is the recipient of amounts bonded for in the Third Pooled Loan Program Financing on April 29, 1997 and the Fourth Pooled Loan Program Financing on December 9, 1998. It also is used for pass-through assistance payments from the Commonwealth to communities to fund administrative costs in setting up loan programs to homeowners at the community level.

The Enabling Act was amended by the Massachusetts legislature on April 2, 1998 to authorize the Trust to establish a revolving fund program under the Safe Drinking Water Act.

In fiscal year 2000, the State legislature passed new legislation which changed the level of subsidies on Trust loans from the 50% grant equivalency level to a flat 2% interest rate to be charged on loans for new projects appearing on the calendar year 2002 intended use plan, going forward. This was in order to mitigate increases in contract assistance commitments by the Commonwealth, while the Trust could increase its leveraging ratio from 2:1 to 3:1, increasing funding capacity by 50%.

(2) Summary of Significant Accounting Policies

The accounting policies of the Trust conform to generally accepted accounting principles as applicable to government enterprises. The following is a summary of the Authority's significant accounting policies:

(a) Basis of Presentation

The Trust's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting as specified by the Governmental Accounting Standards Board's requirements for an enterprise fund. Operating revenues and expenses are generated through the issuance of loans to local government units within the Commonwealth. All other revenues and expenses are reported as nonoperating revenues and expenses.

Under Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund*

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Accounting, the Trust has elected to apply all Financial Accounting Standards Board Statements and Interpretations issued on or before November 30, 1989, except those that conflict with or contradict GASB pronouncements.

(b) Cash and Cash Equivalents

The Trust's policy is to treat all highly liquid investments with original maturities of three months or less as cash and cash equivalents.

(c) Investments

Investments are carried at fair value. Where applicable, fair values are based upon quotations from national security exchanges.

Under the Massachusetts Water Pollution Abatement Trust Program Resolutions (the Resolutions), as amended and supplemented at various bond sale dates, the Trust must maintain certain investment funds in the Federal SRF Loan Program and Commonwealth SRF Loan Program with State Street Bank & Trust Company (the Trustee). The types of funds held by the Trustee are in the following accounts:

Equity Accounts – The Equity Fund consists of cash and cash equivalents which are currently held at the Massachusetts Municipal Depository Trust (MMDT). The Equity Fund is comprised of both a federal program account and a Commonwealth program account and can be used for programmatic costs and operating expenses within the Federal SRF Loan Program or Commonwealth SRF Loan Program, as applicable. These funds are derived from: (1) funds drawn by the Trust from federal capitalization grants and Commonwealth matching funds; (2) other amounts paid to the Trust representing financial assistance provided pursuant to the Act for purposes of deposit in the Federal SRF Loan Program; (3) other amounts appropriated to the Trust by the Commonwealth for purposes of the Federal SRF Loan Program or Commonwealth SRF Loan Program; (4) direct loan repayment; (5) interest earnings on investment or deposits of amounts held in the Equity Fund; and (6) amounts transferred from the Debt Service Reserve Fund as a result of loan repayments in accordance with the provisions specified in the Resolutions.

Interim Loan Accounts – The Interim Loan Fund has been established to fund temporary loans in anticipation of permanent leveraged borrowings. The source of funds is the Equity Fund.

Project Accounts – The Project Funds disburse bond proceeds to borrowers as needed. These funds are restricted by the bond resolutions and are to be applied solely to the payment or refinancing of costs associated with the applicable project. When all costs have been paid, any amounts remaining unexpended in the Project Funds can be applied to the repayment of the applicable loan service to bondholders. The monies are derived from semiannual loan repayments, which include payments from borrowers, interest earnings on the Debt Service Reserve Funds, and Commonwealth contract assistance payments.

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Debt Service Reserve Accounts – Debt Service Reserve Funds consist of reserve requirements equal to 50% of the principal amount outstanding on Clean Water bonds and 40% on Drinking Water bonds. For bonds issued to finance loans authorized by the 2002 and subsequent “Intended Use Plans”, the debt service reserve fund requirement drops to 33.33% of the outstanding principal. In accordance with each bond resolution, amounts are transferred from the Equity Fund to the particular Debt Service Reserve Funds. Interest earnings on the Debt Service Reserve Funds are transferred to their corresponding Revenue Fund and used for debt service payments.

Debt Service Accounts – Debt Service Funds are used as a pass-through of principal and interest from the Revenue Funds to the bondholders. The Debt Service Funds are also used to hold accrued interest on the bonds to be applied to pay a portion of the interest due on the bonds.

(d) Capital Assets

The Trust’s capital asset capitalization policy conforms with the Commonwealth’s threshold of \$15,000. As of June 30, 2005 and 2004, the Trust did not have any capital assets.

(e) Loan Origination Fees and Costs of Issuance

Fees received and certain direct costs incurred, relating to the origination of loans, have been deferred and are included with loans receivable in the accompanying balance sheets. Loan origination fees and costs are amortized over the life of the loans to which the fees and costs relate using the level-yield method. Origination fees charged to leveraged borrowers are capped at the estimated costs of leveraged transactions as proposed in the Trust’s administrative budget and allocated to all borrowers, excluding the Title V program.

(f) Risk Financing

The Trust is not insured for casualty, theft, tort claims, or other losses. No amounts have been accrued for such losses as they are not considered material. As discussed in note 1, all financial, management and project oversight activities are provided by employees of the State Treasurer’s Office, DEP, and the Executive Office for Administration and Finance. These employees are covered under the Commonwealth’s workers’ compensation and group insurance programs. The cost of these programs is allocated to the Trust, through the fringe benefit allocation. As described in note 4, the Trust is allowed to expend up to 4% of the federal capitalization grant on program administration costs; therefore, any costs in excess of this amount will be borne by the Commonwealth. As a result, no liability for workers’ compensation or group insurance has been recorded by the Trust.

(g) Capitalization Grants

Funding from federal capitalization grants and state matching grants are recorded as nonoperating revenues.

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(h) Other Assets

Other assets consist of the unamortized portion of bond issue costs, which are amortized using the straight-line method over the life of the bonds, and deferred charges, which are “unreclassified” state appropriations for matching funds that are allocated to administrative costs.

(i) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

(3) Deposits and Investments

Effective July 1, 2004, the Trust implemented GASB Statement No. 40, “*Deposit and Investment Risk Disclosures*”. Cash, cash equivalents, and investments are separately held by several of the Trust’s funds.

(a) Cash and Cash Equivalents

The Trust’s cash and cash equivalents consists of bond proceeds received and not yet lent as well as project funds that have not yet been disbursed. All but a small portion of these amounts are held by trustees and disbursed in accordance with executed loan agreements. A small portion of the cash and cash equivalents are held to pay the administrative costs of the Trust.

Cash and cash equivalents are comprised of bank deposits as well as investments in the Massachusetts Municipal Depository Trust (MMDT), an external investment pool managed by the State Treasurer for cities, towns, and other state and local agencies. For purposes of risk categorization, MMDT shares are not categorized. The fair value of the Trust’s position in MMDT is the same as the value of MMDT shares.

Custodial Credit Risk – Deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the Trust’s deposits may not be returned to it. The Trust does not have a deposit policy for custodial credit risk.

At the end of the year, carrying amounts of the Trust’s deposits were \$1,035,000 and \$3,110,000, which equaled the bank balances, at June 30, 2005 and 2004, respectively. As of June 30, 2005 and 2004, \$100,000 and \$400,000, respectively, of the Trust’s deposits was covered by depository insurance and the remainder was exposed to custodial credit risk as uninsured and uncollateralized.

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(b) Investments

Custodial Credit Risk – Investments. Custodial credit risk for investments is the risk that in the event of a failure of the counterparty, the Trust will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The Trust does not have an investment policy for custodial credit risk.

The Trust primarily invests in guaranteed investment contracts (GICs), which under accounting principles generally accepted in the United States, are not subject to custodial credit disclosure because they are direct contractual investments and are not securities.

Credit Risk. The Trust has not adopted a formal policy related to credit risk. Although GICs are typically not rated, the GIC issuers are all rated AAA or AA. All GIC issuers that are rated lower than AAA are fully collateralized at 105% with U.S. Treasury securities or government-backed agency notes. MMDT is not rated.

The fair value and maturities of the Trust's investment are presented below (in thousands):

Investment type	2004 Fair value	2005 Fair value	Investment maturities (in years)			
			Less than 1	1 to 5	6 to 10	More than 10
Debt securities:						
Guaranteed investment contracts \$	1,043,254	1,337,812	85,581	394,178	324,968	533,085
Cash equivalent:						
Massachusetts Municipal Depository Trust (MMDT)	395,397	267,765				
Total investments	\$ 1,438,651	1,605,577				

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Trust places no limit on the amount that may be invested in any one issuer. More than 5% of the Trust's total investments are with the following issuers:

Issuer:	Percent of total investments
FSA Capital Management Services, LLC	22%
IXIS Funding Corp.	22
Societe Generale	6
Trinity Funding Company, LLC	18

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Interest Rate Risk. The Trust does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair-value losses arising from increasing interest rates.

(4) Capitalization Grants

The operating agreements for the federal capitalization grants require that the Trust enter into binding commitments with local government units within one year of the receipt of each federal grant payment to provide assistance in an amount equal to 120% (including 20% state matching grants) of each federal capitalization grant. Federal grant payments are received by the Trust in the form of an automated clearing house account. For financial statement purposes, federal capitalization grants and the 20% state matching grants has been recognized in the Federally Capitalized SRF for the amount of executed loan agreements and binding commitments.

The Federal Safe Drinking Water Program and the Federally Capitalized Community Hardship Loan Program have different allocation percentages. For the Federal Safe Drinking Water Program, each grant year has a different allocation based on the amount of federal set-asides used. An additional 20%, or \$5.9 million was matched from required state matching funds, already on hand at the Trust. All draws for project costs and for reserve funding must maintain this proportionality under the Federal Safe Drinking Water Act. For the 2005 and 2004 grant years, the proportionality is determined as follows (in thousands):

Clean water program	Grant year	
	2005	2004
Federal capitalization	\$ 45,385	—
State match on federal funds (20%)	18,277	9,200
Total capitalization	63,662	9,200
Less federally mandated “set-asides”	(1,815)	—
Project capitalization	\$ 61,847	9,200
Federal proportionality	80%	80%
State proportionality	20	20

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Drinking water program	Grant year	
	2005	2004
Federal capitalization	\$ 29,684	28,615
State match on federal funds (20%)	11,937	5,937
Total capitalization	41,621	34,552
Less federally mandated "set-asides"	(5,103)	(5,938)
Project capitalization	\$ 36,518	28,614
Federal proportionality	80%	80%
State proportionality	20	20

The Clean Water State Revolving Fund Loan Program is unchanged from previous years. The total federal award and the state matching funds of 20% are reduced by 4% for an administrative allowance. The total amount available for financing is net of this allowance.

(5) Loans Receivable and Bonds Purchased

The Trust issued a total of 79 and 83 loan or bond purchase agreements during fiscal 2005 and 2004, respectively. An additional 41 and 21 loans were disbursements under the Community Septic Management Program Fund in 2005 and 2004. Pursuant to agreements with the EPA, bond purchase agreements are used for communities involved in extended financing. In 2004, 8 of the 83 agreements issued and 11 of the 79 agreements issued in 2005 were issued as 30-year bond purchase agreements to the towns of Marion and Newbury, the cities of Fall River, Haverhill, and Newburyport, the MWRA, the Upper Blackstone Water Pollution Abatement District, and the Lynn Water and Sewer Commission for a total of \$237.6 million.

A summary of these receivables as of June 30, 2005 and 2004 is as follows (amounts in thousands):

	2005	2004
Leveraged loans or bonds purchased	\$ 2,496,802	2,281,286
Direct loans	89	119
Interim loans	33,433	28,458
	2,530,324	2,309,863
Current portion	141,954	128,222
Long-term portion	\$ 2,388,370	2,181,641

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Aggregate principal maturities on loans receivable or bonds purchased are as follows (amounts in thousands):

2006	\$	108,508
2007		113,845
2008		116,595
2009		119,675
2010		122,430
Thereafter		<u>1,915,749</u>
	\$	<u><u>2,496,802</u></u>

Interim loans of \$33,433,000, and direct loans of \$19,000 also mature in 2006.

Subsidy payments to be applied to repayments from borrowers include interest earnings provided by Debt Service Reserve Funds and contract assistance provided to the Trust by the Commonwealth. Both of these subsidies are expected to be available for the lives of the financing agreements. For the leveraged bond purchase program, pursuant to an agreement with the Commonwealth, subsidies are drawn in an amount as if the financing was for a twenty-year period. The amount that is not currently needed is invested at the applicable bond yield until funds are needed for subsidies beyond year 20, similar to an annuity. If subsidy funds are not available, the obligation of the borrower is increased by such shortfall.

The agreement requires the borrower to pay the Trust an annual or semiannual servicing fee equal to 0.15% or 0.075%, respectively, of the principal obligation outstanding on the applicable date. As of June 30, 2005, all borrowers have opted for the semiannual payment schedule. None of these fees are capitalized as part of a borrower's obligation to the Trust.

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(6) Bonds Payable

The following is a summary of bonds payable at June 30, 2005 and 2004 (in thousands):

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Water Pollution Abatement					
Revenue Bonds:					
MWRA Loan Program:					
Series 1993A, 4.5% to 5.45%, issued March 18, 1993, due 2000 to 2013	\$ 7,840	—	1,275	6,565	1,190
Series 1993B, 4.3% to 5.25%, issued January 6, 1994, due 2000 to 2014	6,230	—	800	5,430	770
Series 1995A, 4.5% to 6.0%, issued November 21, 1995, due 2000 to 2015	7,460	—	880	6,580	860
Series 1998A, 4.0% to 5.375%, issued July 9, 1998, due 2000 to 2018	14,300	—	1,330	12,970	1,305
Series 2002A, 3.0% to 5.25%, issued October 15, 2002, due 2003 to 2032	121,695	—	30,145	91,550	3,270
South Essex Sewage District					
Loan Program:					
Series 1994A, 5.3% to 6.375%, issued November 1, 1994, due 2001 to 2015	8,460	—	1,120	7,340	1,075
Series 1996A, 4.25% to 6.0%, issued December 5, 1996, due 2000 to 2016	9,420	—	1,055	8,365	1,005
New Bedford Loan Program:					
Series 1996A, 4.8% to 6.0%, issued July 10, 1996, due 2000 to 2016	13,690	—	1,705	11,985	1,645
Pool Loan Program:					
Series 1, 4.75% to 5.6%, issued July 14, 1993, due 2000 to 2013	29,345	—	4,075	25,270	3,420
Series 2, 4.9% to 6.125%, issued June 1, 1995, due 2001 to 2015	13,095	—	3,415	9,680	2,335
Series 3, 4.6% to 6.0%, issued April 29, 1997, due 2001 to 2017	40,440	—	7,130	33,310	6,845

**MASSACHUSETTS WATER
POLLUTION ABATEMENT TRUST**
(A Component Unit of the Commonwealth of Massachusetts)

Notes to Financial Statements

June 30, 2005 and 2004

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Pool Loan Program (continued):					
Series 4, 4.0% to 5.125%, issued December 9, 1998, due 2000 to 2018	\$ 122,050	—	71,250	50,800	7,620
Series 5, 4.25% to 5.75%, issued October 6, 1999, due 2000 to 2029	230,635	—	136,335	94,300	11,340
Series 6, 4.5% to 5.66% issued November 6, 2000, due 2001 to 2030	303,730	—	168,440	135,290	13,890
Series 7, 3.0% to 5.25% issued July 15, 2001, due 2001 to 2021	299,930	—	69,625	230,305	11,625
Series 8, 3.0% to 5.0%, issued November 15, 2002, due 2003 to 2032	257,800	—	114,345	143,455	9,925
Series 9, 2.0% to 5.0%, issued October 10, 2003, due 2004 to 2033	311,580	—	10,315	301,265	10,440
Series 10, 2.5% to 5.25%, issued August 25, 2004, due 2005 to 2028	—	317,175	—	317,175	10,145
Subordinated Revenue					
Refunding Bonds:					
New Bedford Loan Program:					
Series 1998A, 4.0% to 5.25%, issued December 23, 1998, due 2001 to 2026	113,260	—	2,585	110,675	2,755
MWRA Loan Program:					
Series 1999A, 4.2% to 6.0%, issued November 3, 1999, due 2000 to 2029	368,435	—	66,350	302,085	9,235
Pool Program Refunding:					
Series A and B, 2.0% to 5.25%, issued August 25, 2004, due 2005 to 2028	—	645,620	—	645,620	960
Subtotal	2,279,395	962,795	692,175	2,550,015	111,655
Less unamortized amounts:					
Bond premium	37,792	87,852	10,784	114,860	—
Net unamortized excess of reacquisition price over net carrying value of defeased bonds	(7,088)	(45,827)	(1,961)	(50,954)	—
Total bonds payable	\$ 2,310,099	1,004,820	700,998	2,613,921	111,655

**MASSACHUSETTS WATER
POLLUTION ABATEMENT TRUST**
(A Component Unit of the Commonwealth of Massachusetts)

Notes to Financial Statements

June 30, 2005 and 2004

The following is a summary of bonds payable at June 30, 2004 and 2003 (in thousands):

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Water Pollution Abatement					
Revenue Bonds:					
MWRA Loan Program:					
Series 1993A, 4.5% to 5.45%, issued March 18, 1993, due 2000 to 2013	\$ 9,190	—	1,350	7,840	1,275
Series 1993B, 4.3% to 5.25%, issued January 6, 1994, due 2000 to 2014	7,060	—	830	6,230	800
Series 1995A, 4.5% to 6.0%, issued November 21, 1995, due 2000 to 2015	8,355	—	895	7,460	880
Series 1998A, 4.0% to 5.375%, issued July 9, 1998, due 2000 to 2018	15,655	—	1,355	14,300	1,330
Series 2002A, 3.0% to 5.25%, issued October 15, 2002, due 2003 to 2032	124,800	—	3,105	121,695	3,165
South Essex Sewage District					
Loan Program:					
Series 1994A, 5.3% to 6.375%, issued November 1, 1994, due 2001 to 2015	9,615	—	1,155	8,460	1,120
Series 1996A, 4.25% to 6.0%, issued December 5, 1996, due 2000 to 2016	10,515	—	1,095	9,420	1,055
New Bedford Loan Program:					
Series 1996A, 4.8% to 6.0%, issued July 10, 1996, due 2000 to 2016	15,450	—	1,760	13,690	1,705
Pool Loan Program:					
Series 1, 4.75% to 5.6%, issued July 14, 1993, due 2000 to 2013	33,795	—	4,450	29,345	4,075

**MASSACHUSETTS WATER
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Notes to Financial Statements

June 30, 2005 and 2004

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Pool Loan Program (continued):					
Series 2, 4.9% to 6.125%, issued June 1, 1995, due 2001 to 2015	\$ 16,345	—	3,250	13,095	3,415
Series 3, 4.6% to 6.0%, issued April 29, 1997, due 2001 to 2017	47,410	—	6,970	40,440	7,130
Series 4, 4.0% to 5.125%, issued December 9, 1998, due 2000 to 2018	129,405	—	7,355	122,050	7,485
Series 5, 4.25% to 5.75%, issued October 6, 1999, due 2000 to 2029	241,505	—	10,870	230,635	11,095
Series 6, 4.5% to 5.66%, issued November 6, 2000, due 2001 to 2030	316,995	—	13,265	303,730	13,590
Series 7, 3.0% to 5.25%, issued July 15, 2001, due 2001 to 2021	309,835	—	9,905	299,930	10,295
Series 8, 3.0% to 5.0%, issued November 15, 2002, due 2003 to 2032	266,885	—	9,085	257,800	9,300
Series 9, 2.0% to 5.0%, issued October 10, 2003, due 2004 to 2033	—	311,580	—	311,580	10,315
Subordinated Revenue Refunding Bonds:					
New Bedford Loan Program:					
Series 1998A, 4.0% to 5.25%, issued December 23, 1998, due 2001 to 2026	115,675	—	2,415	113,260	2,585
MWRA Loan Program:					
Series 1999A, 4.2% to 6.0%, issued November 3, 1999, due 2000 to 2029	376,570	—	8,135	368,435	8,645
Subtotal	2,055,060	311,580	87,245	2,279,395	99,260
Less unamortized amounts:					
Bond premium	23,856	15,422	1,486	37,792	—
Net unamortized excess of reacquisition price over net carrying value of defeased bonds	(7,685)	—	(597)	(7,088)	—
Total bonds payable	\$ 2,071,231	327,002	88,134	2,310,099	99,260

All bonds are payable from amounts pledged pursuant to the Water Pollution Abatement Project Bond Resolutions, which include payments by the local governmental units of principal and interest on the loans

**MASSACHUSETTS WATER
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Notes to Financial Statements

June 30, 2005 and 2004

and amounts on deposit in the Debt Service Reserve Funds. Pursuant to the Commonwealth Assistance Contract (the Contract), the Commonwealth has agreed to provide Contract Assistance payments to the Trust to reduce the payments by local governmental units. The Contract is not pledged as security for the bonds; however, the Contract Assistance payments, when received by the Trust, are pledged as security for the bonds.

In November 2003, the Trust issued \$311.6 million of Pool Program Bonds, Series 9 to fund loans for borrowers undertaking various approved water pollution abatement and drinking water projects in Massachusetts.

In August 2004, the Trust issued \$645.6 million in refunding bonds (at a true interest cost of 4.03%) as a partial advanced refunding of several previous Trust bond issues. The issues that were partially refunded were: Pool Program Series 4, 5, 6, 7, and 8 and MWRA Loan Program Series 1999A and 2002A. The total debt defeased through this new issue was \$592.9 million, for a savings of \$42.9 million, resulting in an economic gain (net present value) of \$26.7 million.

All issuance costs of the transaction were paid from bond proceeds, and the required debt service reserves were invested in Guaranteed Investment Contracts (GICs). The remaining proceeds were deposited with an escrow agent to provide resources for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the financial statements. The reacquisition price exceeded the net carrying amount of the old debt by \$45.8 million, which is being netted against the new debt issued.

In November of 2004, the Trust issued \$317.2 million in new bonds with its Pool Program Series 10. These monies were used to finance water pollution abatement and drinking water projects in 55 communities and special districts.

Scheduled future debt service payments are as follows (amounts in thousands):

	Total debt service	Principal	Interest
Year ending June 30:			
2006	\$ 237,590	111,655	125,935
2007	239,647	114,825	124,822
2008	233,236	117,595	115,641
2009	230,930	120,705	110,225
2010	228,728	124,185	104,543
2011-2015	1,087,494	652,905	434,589
2016-2020	882,143	620,680	261,463
2021-2025	536,091	416,070	120,021
2026-2030	232,046	186,705	45,341
2031-2035	93,239	84,690	8,549
	<u>\$ 4,001,144</u>	<u>2,550,015</u>	<u>1,451,129</u>

**MASSACHUSETTS WATER
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Notes to Financial Statements

June 30, 2005 and 2004

The balances of bonds defeased “in-substance” in prior years and still outstanding as of June 30 are as follows (amounts in thousands):

Description	Redemption date	Outstanding principal amount	
		2005	2004
MWRA Loan Program:			
Series 1993A	November 3, 1999 \$	66,905	73,415
Series 1993B	November 3, 1999	46,295	49,375
Series 1995A	November 3, 1999	50,055	52,845
Series 1998A	November 3, 1999	86,610	89,720
Series 1999A	August 25, 2004	57,705	—
Series 2002A	August 25, 2004	26,980	—
New Bedford Loan Program:			
Series 1996A	December 23, 1998	83,435	88,910
South Essex Sewage District Loan Program:			
Series 1996A	July 15, 2001	48,035	50,875
Pool Loan Program:			
Pool 2	July 15, 2001	—	20,720
Pool 3	July 15, 2001	51,965	51,695
Pool 4	August 25, 2004	63,765	—
Pool 5	August 25, 2004	125,240	—
Pool 6	August 25, 2004	154,850	—
Pool 7	August 25, 2004	59,330	—
Pool 8	August 25, 2004	105,045	—

(7) Net Assets

As of June 30, 2005 and 2004, the Trust has restricted net assets in the amount of \$1,322,417,000 and \$1,212,805,000, respectively, and unrestricted net assets in the amount of \$112,955,000 and \$126,462,000, respectively. Restricted net assets represent capitalization grants received cumulative to date from the U.S. Environmental Protection Agency and corresponding matching amounts received from the Commonwealth of Massachusetts. The capitalization grants are restricted to provide financial assistance, but not grants, to local communities and interstate agencies for the construction of wastewater treatment works, drinking water infrastructure improvements, and other related projects as described in note 1. During 2005, certain reclassifications were made to prior year restricted and unrestricted balances to conform to the current year presentation.

In 2005, the Trust received \$3.1 million of contract assistance from the Commonwealth that, because of a bond refunding, was not needed to repay bond principal or interest due in fiscal 2005. These funds have been placed in a separate bank account and require the Commonwealth’s approval prior to use of the funds.

**MASSACHUSETTS WATER
POLLUTION ABATEMENT TRUST**
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Notes to Financial Statements

June 30, 2005 and 2004

(8) Commitments

As of June 30, 2005 and 2004, the Trust has agreed to provide loans to various local government units amounting to approximately \$35.4 million and \$28 million, respectively, excluding loans to be disbursed, which will be funded or collateralized with grant awards received by the Trust.

(9) Subsequent Events

On October 18, 2005, the Trust issued \$293,760,000 of Massachusetts Water Pollution Abatement Trust Pool Program Bonds, Series 11. These bonds were issued to fund 92 loans in the Clean Water, Safe Drinking Water, and Community Septic Management Program (Title 5) programs.

Massachusetts Water Pollution Abatement Trust

COMBINING FINANCIAL STATEMENTS AND SCHEDULE FOR THE YEAR ENDED JUNE 30, 2005 (With Comparative Amounts as of June 30, 2004)

NARRATIVE

Federally Capitalized State Revolving Fund – is used to account for amounts received and expended from the Federally Capitalized SRF, proposed by Title VI of the Clean Water Act, along with amounts received and expended from the 20% required state matching of federal funding. The fund also is used to account for receipts and disbursements for loan and bond transactions not accounted for in the Commonwealth Capitalized SRF.

Commonwealth of Massachusetts Capitalized State Revolving Loan Fund – is used to account for amounts received and expended from the Commonwealth Capitalized SRF.

General Operations Fund – is used to account for amounts received and expended for the general and administrative costs not applicable to the other three funds.

Community Septic Management Fund – is used to account for amounts received and expended for the purpose of funding loans and assistance payments to eligible communities under the Commonwealth's Title V regulations.

Federally Capitalized Safe Drinking Water State Revolving Fund – is used to account for amounts received and expended from the Federally Capitalized SRF, proposed by the Safe Drinking Water Act of 1996, along with amounts received and expended from the required state matching of federal funding.

Commonwealth Capitalized Drinking Water Subsidy Fund – is used to account for amounts received and expended in the form of Commonwealth pass-through subsidies for local governments. The projects that are subsidized are federally eligible under the Safe Drinking Water Act, but were set aside from the Federally Capitalized Safe Drinking Water State Revolving Fund under Chapters 88 and 226 of the Acts of 1997. No Federal funds are received and expended in this fund.

Federally Capitalized Community Hardship Loan Program – is used to account for amounts received and expended under the Federal Omnibus Recissions and Appropriations Act of 1996 (Public Law 104-134,) earmarked for designated hardship communities within the Commonwealth.

Massachusetts Water Pollution Abatement Trust
Combined Statement of Net Assets
June 30, 2005 (With Comparative Amounts as of June 30, 2004)
(Amounts in thousands)

	Federally Capitalized State Revolving Fund Loan Program	Commonwealth of Massachusetts Capitalized State Revolving Fund Loan Program	Program for General Operations	Community Septic System Loan Program	Federally Capitalized Safe Drinking Water Revolving Fund Loan Program	Commonwealth of Massachusetts Capitalized Safe Drinking Water Revolving Fund Loan Program	Federally Capitalized Community Hardship Loan Program	Combined Totals	
								6/30/2005	6/30/2004
ASSETS									
CURRENT ASSETS:									
Cash and cash equivalents	\$ 183,246	\$ 14,814	\$ 6,594	\$ 9,748	\$ 54,399	\$ -	\$ -	\$ 268,801	\$ 252,615
Short - term investments	80,576	-	-	-	5,005	-	-	85,581	76,308
Grants receivable:									
U.S. Environmental Protection Agency	702	-	-	-	13,716	-	-	14,418	15,243
Commonwealth of Massachusetts	-	-	-	13,150	-	-	-	13,150	15,650
Loans receivable, current	92,396	2,180	-	11,474	35,900	-	4	141,954	128,222
Accrued interest receivable	67,188	3,423	241	756	9,976	-	-	81,584	60,299
Loan servicing fees receivable	-	-	-	-	-	-	-	-	6
Total current assets	424,108	20,417	6,835	35,128	118,996	-	4	605,488	548,343
NONCURRENT ASSETS:									
Project fund investments	84,405	-	-	2,428	30,585	-	-	117,418	122,785
Loans receivable, long-term	1,934,721	20,198	-	26,722	406,726	-	3	2,388,370	2,181,641
Long-term investments	937,802	11,189	8,725	-	177,097	-	-	1,134,813	990,053
Other assets, long-term	-	-	7,080	-	-	-	-	7,080	4,451
TOTAL ASSETS	\$ 3,381,036	\$ 51,804	\$ 22,640	\$ 64,278	\$ 733,404	\$ -	\$ 7	\$ 4,253,169	\$ 3,847,273
LIABILITIES									
CURRENT LIABILITIES:									
Accrued expenses	\$ -	\$ -	\$ 13	\$ -	\$ -	\$ -	\$ -	\$ 13	\$ 371
Accrued interest payable	45,398	516	2	574	8,352	-	-	54,842	48,810
Current portion of loan commitments	23,402	-	-	1,509	5,005	-	-	29,916	24,546
Current portion of long-term debt	87,485	2,180	-	1,554	20,436	-	-	111,655	99,260
Total current liabilities	156,285	2,696	15	3,637	33,793	-	-	196,426	172,987
NONCURRENT LIABILITIES									
Loan commitments	84,406	-	-	2,428	30,584	-	-	117,418	122,785
Accrued interest on capital appreciation bonds	1,590	-	-	97	-	-	-	1,687	1,395
Long-term debt, net	2,013,916	20,198	-	26,434	441,718	-	-	2,502,266	2,210,839
TOTAL LIABILITIES	2,256,197	22,894	15	32,596	506,095	-	-	2,817,797	2,508,006
NET ASSETS									
Restricted (equity)	1,006,644	21,048	130	30,000	261,211	-	254	1,319,287	1,212,805
Restricted - contract assistance	-	-	3,130	-	-	-	-	3,130	-
Unrestricted (ytd net income)	118,195	7,862	19,365	1,682	(33,902)	-	(247)	112,955	126,462
TOTAL NET ASSETS	\$ 1,124,839	\$ 28,910	\$ 22,625	\$ 31,682	\$ 227,309	\$ -	\$ 7	\$ 1,435,372	\$ 1,339,267

Massachusetts Water Pollution Abatement Trust
Combining Schedule of Revenues, Expenses and Changes in Net Assets
June 30, 2005 (With Comparative Amounts as of June 30, 2004)
(Amounts in thousands)

	Federally Capitalized State Revolving Fund Loan Program	Commonwealth of Massachusetts Capitalized State Revolving Fund Loan Program	Program for General Operations	Community Septic System Loan Program	Federally Capitalized Safe Drinking Water Revolving Fund Loan Program	Commonwealth of Massachusetts Capitalized Safe Drinking Water Revolving Fund Loan Program	Federally Capitalized Community Hardship Loan Program	Combined Totals 6/30/2005	Combined Totals 6/30/2004
OPERATING REVENUES:									
Loan servicing fees	\$ -	\$ -	\$ 3,407	\$ -	\$ -	\$ -	\$ -	\$ 3,407	\$ 1,831
Loan origination fees	-	-	196	-	-	-	-	196	209
Interest Income	142,184	4,407	506	1,739	21,810	0	0	170,646	135,715
Total operating revenues	142,184	4,407	4,109	1,739	21,810	0	0	174,249	137,755
OPERATING EXPENSES:									
Commonwealth of Massachusetts - Department of Environmental Protection - programmatic support costs	1,005	-	-	40	4,317	7,853	-	13,215	15,394
IntraFund Transfers	(13,758)	(1,210)	(3,284)	10,014	8,220	-	18	-	0
General and administrative	-	-	1,362	-	-	-	-	1,362	1,373
Arbitrage rebate payments	1,526	-	-	-	-	-	-	1,526	2,093
Grant disbursements	13,696	-	-	354	6,786	-	-	20,836	15,422
Interest expense	113,153	1,276	370	1,484	20,174	-	-	136,457	114,676
Total operating expenses	115,622	66	(1,552)	11,892	39,497	7,853	18	173,396	148,958
OPERATING INCOME (LOSS)	26,562	4,341	5,661	(10,153)	(17,687)	(7,853)	(18)	853	(11,203)
NONOPERATING INCOME:									
Operating Grant Revenue:									
U.S. Environmental Protection Agency Commonwealth of Massachusetts	-	-	-	-	-	-	-	-	-
Contract Assistance:						7,853	-	7,853	7,853
Commonwealth of Massachusetts	-	3,130	-	-	-	-	-	3,131	-
Capitalization Grant Revenue:									
U.S. Environmental Protection Agency capitalization grants	45,385	-	-	-	29,684	-	-	75,069	28,615
Commonwealth of Massachusetts matching grants	9,200	-	-	-	-	-	-	9,200	9,200
Total nonoperating income	54,585	3,130	-	-	29,684	7,853	-	95,252	45,668
NET INCOME (LOSS)	81,147	7,471	5,661	(10,153)	11,997	0	(18)	96,105	34,465
NET ASSETS, BEGINNING OF YEAR	1,043,692	21,439	16,964	41,835	215,312	-	25	1,339,267	1,304,802
NET ASSETS, END OF YEAR	\$ 1,124,839	\$ 28,910	\$ 22,625	\$ 31,682	\$ 227,309	\$ 0	\$ 7	\$ 1,435,372	\$ 1,339,267

Massachusetts Water Pollution Abatement Trust
Combining Schedule of Cash Flows
June 30, 2005 (With Comparative Amounts as of June 30, 2004)
(Amounts in thousands)

	Federally Capitalized State Revolving Fund Loan Program	Commonwealth of Massachusetts Capitalized State Revolving Fund Loan Program	Program for General Operations	Community Septic System Loan Program	Federally Capitalized Safe Drinking Water Revolving Fund Loan Program	Commonwealth of Massachusetts Capitalized Safe Drinking Water Revolving Fund Loan Program	Federally Capitalized Community Hardship Loan Program	Combined Totals 6/30/2005	Combined Totals 6/30/2004
Cash flows from operating activities:									
Cash received from borrowers	\$ 87,130	\$ 2,067	\$ -	\$ 13,650	\$ 25,371	\$ -	\$ 4	\$ 128,222	\$ 119,861
Interest received	121,720	1,558	520	1,415	20,610	-	-	145,823	126,737
Other cash received from customers	-	-	3,609	-	-	-	-	3,609	3,299
Loans and grants disbursed to recipients	(238,280)	(1)	-	(16,388)	(114,845)	-	-	(369,514)	(344,619)
Cash paid to suppliers	(2,497)	-	(4,383)	(40)	(4,317)	(7,853)	-	(19,090)	(18,763)
Interest paid	(106,307)	(1,321)	(370)	(1,404)	(18,771)	-	-	(128,172)	(109,506)
Net cash used for operating activities	(138,234)	2,303	(623)	(2,767)	(91,952)	(7,853)	4	(239,122)	(222,991)
Cash flows from capital and related financing activities:									
Proceeds from U.S. EPA capitalization grants	52,074	-	-	-	23,820	-	-	75,894	89,935
Proceeds from Commonwealth matching capitalization grants	9,200	-	-	2,500	-	-	-	11,700	11,700
Net cash provided by capital and related financing activities	61,274	-	-	2,500	23,820	-	-	87,594	101,635
Cash flows from noncapital financing activities:									
Bonds proceeds	283,616	-	-	4,637	116,774	-	-	405,027	327,002
Interfund cash transfer	11,313	1,211	3,284	(12,445)	(3,346)	-	(19)	0	
Repayment of bonds	(79,311)	(2,067)	-	(1,282)	(16,600)	-	-	(99,260)	(87,245)
Contract Assistance	-	3,130	-	-	-	-	-	3,130	-
Operating assistance from Commonwealth of Massachusetts	-	-	-	-	-	7,853	-	7,853	7,853
Net cash provided by noncapital financing activities	215,618	2,274	3,284	(9,090)	96,828	7,853	(19)	316,750	247,610
Cash flows from investing activities:									
Purchases of investments	(380,030)	-	(380)	(3,226)	(85,850)	-	-	(469,486)	(666,901)
Proceeds from maturities of investments	266,527	1,033	-	7,312	45,578	-	-	320,450	567,751
Net cash used by noncapital financing activities	(113,503)	1,033	(380)	4,086	(40,272)	-	-	(149,036)	(99,150)
Net increase in cash and cash equivalents	25,156	5,610	2,281	(5,270)	(11,576)	0	(15)	16,186	27,104
Cash and cash equivalents, beginning of year	158,090	9,204	4,313	15,018	65,975	-	15	252,615	225,511
Cash and cash equivalents, end of year	\$ 183,246	\$ 14,814	\$ 6,594	\$ 9,748	\$ 54,399	\$ 0	\$ 0	\$ 268,801	\$ 252,615
Reconciliation of operating (loss) to net cash (used) by operating activities:									
Operating income	\$ 26,563	\$ 4,341	\$ 5,661	\$ (10,153)	\$ (17,687)	\$ (7,853)	\$ (19)	\$ 853	\$ (11,203)
Adjustments to reconcile operating income to net cash used for operating activities:									
Amortization	(487)	-	-	(7)	(792)	-	-	(1,286)	(611)
Intrafund Transfers	(13,759)	(1,210)	(3,285)	10,016	8,219	-	19	-	-
Changes in operating assets and liabilities:									
Loans receivable	(136,484)	2,067	-	(728)	(85,320)	-	4	(220,461)	(223,529)
Accrued interest receivable	(17,741)	(2,849)	14	(302)	(407)	-	-	(21,285)	(7,492)
Loan servicing fees receivable	-	-	6	-	-	-	-	6	1,259
Other assets	365	-	(2,993)	-	-	-	-	(2,628)	86
Accrued expenses	(331)	-	(26)	-	-	-	-	(357)	11
Accrued interest payable	4,611	(45)	-	63	1,403	-	-	6,032	4,295
Loan commitments and grants payable	(971)	(1)	-	(1,656)	2,632	-	-	4	14,193
Net cash used for operating activities	\$ (138,234)	\$ 2,303	\$ (623)	\$ (2,767)	\$ (91,952)	\$ (7,853)	\$ 4	\$ (239,122)	\$ (222,991)

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Massachusetts Water Pollution Abatement Trust
Fiscal Years Ended June 30, 2005 and 2004
COMPREHENSIVE ANNUAL FINANCIAL REPORT

Statistical Section *

*** Only the schedules that are applicable to the Trust activities are included.**

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**MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST
SUPPLEMENTAL SCHEDULE OF LOANS BY COMMUNITY**

JUNE 30, 2005

(Amounts in thousands)

Local Government Unit	Number of Loans	Grant Equivalency % (3)	Original Loan Amount
Abington	3	50%	\$ 6,275
Acton (See Note 10)	5	50%	24,752
Acushnet	1	See Note (4)	98
Adams	1	See Note (13)	2,922
Agawam (See Note 11)	5	35%-50%	3,876
Amesbury (See Note 11)	8	50%	13,411
Amherst	1	See Note (4)	100
Aquarion	1	See Note (8)	3,491
Ashburnham (See Note 12)	4	50%	9,448
Ashfield (See Note 9)	1	50%	650
Ashland (See Note 9)	3	50%	11,797
Athol (See Note 12)	4	50%	2,540
Attleboro (See Note 11)	13	50%	33,458
Avon	4	See Note (4)	2,382
Ayer	2	See Note (4)	336
Barnstable	14	45%-90%	23,294
Barre	1	See Note (4)	153
Belchertown	8	45%-50%	17,538
Bellingham (See Note 11)	2	50%	800
Belmont	1	See Note (4)	60
Berlin	1	See Note (4)	135
Bernardston	1	See Note (4)	95
Beverly	1	See Note (13)	750
Billerica	6	25%-50%	34,597
Blackstone	1	See Note (4)	80
Boston (City of)	3	50%	13,402
Boston Water & Sewer Commission	10	25%-90%	32,335
Bourne	3	25%-90%	1,490
Boxford	2	See Note (4)	244
Boylston	1	See Note (4)	165
Brewster	2	See Note (4)	382
Bridgewater (See Note 11)	2	25%	396
Brockton	8	50%-75%	23,651
Brookfield	1	See Note (4)	129
Buckland	1	50%	925
Burlington	1	See Note (4)	50
Cambridge (See Note 9)	15	50%-75%	64,478
Carver	1	50%	200
Charles River Pollution Control District (See Note 6)	6	50%-75%	15,713
Charlton	5	50%	19,311
Chatham	2	50%	484
Chelmsford	10	25%-50%	43,524
Cherry Valley Water District	1	50%	1,312
Chesterfield	3	See Note (4)	576
Chicopee	4	See Note (4)	7,592
Clarksburg	1	50%	445
Clinton	1	50%	9,504
Cohasset	15	50%-75%	22,165
Colrain	2	50%	99
Concord	1	See Note (4)	195
Conway	1	See Note (4)	38
Cool Sandy Beach (See Note 8)	1	50%	165
Dartmouth (See Note 10)	8	50%	18,375

**MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST
SUPPLEMENTAL SCHEDULE OF LOANS BY COMMUNITY**

JUNE 30, 2005

(Amounts in thousands)

Local Government Unit	Number of Loans	Grant Equivalency % (3)	Original Loan Amount
Dedham (See Note 9)	5	50%	3,871
Dennis	2	See Note (4)	381
Dighton	1	See Note (4)	135
Douglas	1	See Note (13)	7,143
Dover	1	See Note (4)	197
Dracut (See Note 11)	6	50%	10,800
Dracut Water Supply District	1	50%	940
Dudley (See Note 9)	3	50%	889
Duxbury (See Note 11)	3	50%	1,041
East Bridgewater (See Note 11)	6	50%	2,126
East Longmeadow	1	See Note (13)	657
Eastham	2	50%	1,562
Easthampton	2	50%	3,755
Easton	2	See Note (4)	488
Egremont	1	See Note (4)	115
Essex	4	50%	13,453
Fairhaven (See Note 11)	3	50%	646
Fall River (See Note 10)	11	25%-50%	109,351
Falmouth (See Note 10)	5	50%	16,978
Fitchburg (See Note 9)	5	50%	27,430
Foxborough (See Note 11)	6	50%	2,922
Framingham	3	25% - 50%	1,261
Franklin	2	See Note (4)	5,923
Gardner (See Note 9)	3	50%	15,329
Georgetown (See Note 9)	3	50%	2,657
Gill	1	See Note (4)	43
Gloucester (See Note 11)	14	25%-50%	31,076
Grafton	1	See Note (4)	80
Granby	3	45%-75%	776
Great Barrington	1	50%	343
Greater Lawrence Sanitary District	3	50%	1,700
Greenfield (See Note 11)	4	25%-50%	9,994
Groton	3	See Note (4)	4,967
Halifax	1	See Note (4)	197
Hanover	2	See Note (4)	395
Hanson	1	See Note (13)	222
Hardwick	1	See Note (4)	33
Harwich	1	See Note (4)	195
Hatfield (See Note 11)	2	50%	1,401
Haverhill	12	50%-75%	20,203
Hillcrest Sewer District	1	See Note (13)	3,871
Hingham (See Note 11)	3	25%-50%	3,732
Hinsdale (See Note 10)	1	50%	2,758
Holbrook (See Note 11)	2	25%	2,677
Holden (See Note 9)	8	50%	15,148
Holland	1	50%	185
Holliston	2	50%	370
Hoosac Water Quality District (See Note 7)	3	50%	3,107
Hopedale Water Department	1	50%	892
Hopkinton (See Note 11)	5	25%-50%	10,659
Hubbardston	1	See Note (4)	15
Hudson (See Note 11)	3	50%	1,402
Hull	4	50%-75%	7,695

**MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST
SUPPLEMENTAL SCHEDULE OF LOANS BY COMMUNITY**

JUNE 30, 2005

(Amounts in thousands)

Local Government Unit	Number of Loans	Grant Equivalency % (3)	Original Loan Amount
Ipswich	1	50%	1,884
Kingston (See Note 10,11)	10	50%	28,810
Lakeville	2	50%	297
Lancaster	1	See Note (4)	100
Lanesborough Village Fire & Water District	1	50%	3,668
Lawrence	4	50%	22,769
Lee	1	50%	200
Leicester	1	See Note (4)	191
Lenox	1	50%	3,076
Leominster (See Note 9)	6	50%	12,195
Lexington	2	35%	3,205
Leydon	1	See Note (4)	15
Lincoln	1	50%	4,134
Littleton	2	50%	389
Longmeadow	1	See Note (4)	23
Lowell	5	50%	23,956
Ludlow	1	25%	2,476
Lunenburg (See Note 11)	5	50%	10,322
Lunenburg Water District	2	50%	2,057
Lynn Water & Sewer Commission (See Note 10)	25	25%-50%	93,118
Lynnfield	1	See Note (4)	182
MA Development Finance Authority	2	50%	17,593
Manchester by the Sea	2	50%	8,054
Mansfield	4	50%	8,037
Marion	2	See Note (13)	11,709
Marlborough	2	50%	2,705
Marshfield	3	50%-90%	10,900
Mashpee	4	50%	1,595
Massachusetts Water Resources Authority (See Note 1,9,10)	59	35%-75%	925,161
Mattapoisett	3	50%	7,008
Maynard (See Note 11)	4	50%	5,910
Medfield (See Note 11)	2	50%	676
Medway	1	See Note (4)	120
Melrose	4	25%-50%	1,183
Mendon	1	50%	200
Merrimac (See Note 11)	2	50%	350
Methuen	3	45%-50%	1,866
Middleborough	3	50%	795
Millbury	5	25%-50%	13,913
Millville	1	See Note (4)	197
Milton	3	50%	970
Montague	3	45%-50%	1,498
Monterey	1	See Note (4)	94
Nahant	1	25%	127
Nantucket	7	25%	8,485
Natick	3	See Note (4)	5,859
Needham (See Note 11)	7	25%-50%	2,885
New Bedford (See Note 10)	7	50%-65%	165,108
Newbury	2	50%	8,144
Newburyport	4	50%	11,976
Newton	6	50%	17,079
Norfolk	1	50%	571
North Adams	3	50%	3,372

**MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST
SUPPLEMENTAL SCHEDULE OF LOANS BY COMMUNITY**

JUNE 30, 2005

(Amounts in thousands)

Local Government Unit	Number of Loans	Grant Equivalency % (3)	Original Loan Amount
North Andover	10	25%-50%	8,502
North Attleborough (See Note 9)	12	25%-50%	12,644
North Brookfield	1	50%	5,500
North Reading	3	See Note (4)	969
North Sagamore Water District	1	See Note (13)	2,453
Northampton	1	See Note (4)	94
Northborough (See Note 11)	3	50%	1,363
Northbridge (See Note 11)	5	50%	9,483
Norton	4	50%	3,233
Norwood	2	50%	1,127
Oak Bluffs	3	50%	17,536
Orange (See Note 11)	2	50%	314
Palmer	1	50%	6,033
Paxton	1	See Note (4)	146
Pembroke	3	50%	364
Pepperell	1	See Note (13)	4,725
Phillipston	1	See Note (4)	146
Plymouth (See Note 12)	13	25%-75%	50,260
Plympton	1	See Note (4)	61
Provincetown (See Note 11)	5	50%	17,247
Quincy	8	45%-75%	11,527
Randolph	2	50%	864
Raynham (See Note 11)	7	50%	19,451
Reading	1	See Note (4)	22
Revere	1	25%	850
Rockland	1	See Note (13)	233
Rockport	1	50%	150
Rowley	1	See Note (4)	74
Roylston	1	See Note (4)	66
Russell	2	90%	2,953
Rutland	1	See Note (4)	45
Salisbury	2	50%	2,424
Sandwich	2	See Note (4)	380
Saugus (See Note 11)	4	50%	1,153
Scituate (See Note 11)	8	50%	24,077
Seekonk (See Note 9)	4	50%	7,206
Sharon	2	See Note (4)	391
Shirley	4	50%	15,533
Shrewsbury (See Note 11)	2	See Note (4)	585
Shutesbury	1	See Note (4)	197
Somerset	1	See Note (13)	5,819
South Deerfield (See Note 9)	1	50%	4,230
South Essex Sewerage District (See Note 2)	14	45%-65%	181,017
South Hadley	4	45%-75%	3,565
Southampton (See Note 9)	5	50%	2,921
Southborough	3	50%	648
Southbridge (See Note 12)	3	50%	8,068
Southwick	1	See Note (4)	61
Spencer	1	See Note (4)	197
Springfield	2	25%-50%	5,243
Springfield Water Sewer Commission	4	25%-50%	10,430
Sterling	1	50%	507
Stockbridge	2	See Note (13)	6,533

MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST
SUPPLEMENTAL SCHEDULE OF LOANS BY COMMUNITY
JUNE 30, 2005
(Amounts in thousands)

Local Government Unit	Number of Loans	Grant Equivalency % (3)	Original Loan Amount
Stoughton	2	See Note (4)	3,328
Sturbridge	3	50%	7,188
Sunderland	1	See Note (4)	97
Sutton (See Note 11)	4	50%	9,119
Swampscott	8	25%-45%	15,361
Swansea Water District	1	50%	3,160
Taunton (See Note 11)	14	25%-50%	28,969
Templeton (See Note 11)	4	50%	9,466
Tewksbury	1	50%	4,993
Tisbury	1	50%	8,691
Townsend	1	See Note (4)	196
Truro	1	See Note (4)	197
Tyngsborough	3	50%	3,876
Unallocated Title 5		50%	3,937
Upper Blackstone WPAD (See Note 5)	7	50%	68,340
Upton	1	50%	5,072
Wakefield	2	See Note (4)	2,781
Walpole (See Note 11)	6	50%	13,619
Waltham	1	25%	250
Ware	2	50%	926
Wareham	9	50%-90%	36,346
Warren Water District	1	50%	310
Wayland	2	See Note (9)	900
Webster (See Note 11)	6	25%-50%	11,402
Wellfleet	1	See Note (13)	911
West Boylston (See Note 11)	7	See Note (4)	9,405
West Bridgewater	1	See Note (13)	190
West Newbury	1	See Note (4)	195
West Stockbridge (See Note 9)	1	50%	898
Westborough	4	50%	3,399
Westfield	3	50%	25,251
Westford	3	See Note (4)	14,381
Westwood	3	25%-50%	6,397
Weymouth	4	50%	1,427
Whitman (See Note 9)	3	50%	7,683
Wilmington	1	See Note (4)	46
Winchendon (See Note 9)	7	50%	18,598
Winchester	1	See Note (4)	72
Windbrook Acres (See Note 8)	1	See Note (8)	475
Woburn	3	50%	5,797
Worcester	1	See Note (13)	1,239
Wrentham	3	See Note (4)	4,041
Yarmouth (See Note 11)	4	45%-90%	26,685
Subtotal	902		3,107,010
Plus Unallocated Accretion in Capital Appreciation Bonds			597
Total			\$ 3,107,607

**MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST
SUPPLEMENTAL SCHEDULE OF LOANS BY COMMUNITY
JUNE 30, 2005**

(Amounts in thousands)

- (1) The MWRA is comprised of over 60 cities, towns and special - purpose entities throughout Massachusetts. These communities are as follows:

Arlington	Dedham	Marlborough	Randolph	Waltham
Ashland	Everett	Medford	Reading	Watertown
Bedford	Framingham	Melrose	Revere	Wellesley
Belmont	Hingham	Milton	Saugus	Weston
Boston	Holbrook	Nahant	Somerville	Westwood
Braintree	Lancaster	Natick	South Hadley	Weymouth
Brookline	Leominster	Needham	Southborough	Wilbraham
Burlington	Lexington	Newton	Stoneham	Wilmington
Cambridge	Lynn	Northborough	Stoughton	Winchester
Canton	Lynnfield	Norwood	Swampscott	Winthrop
Chelsea	Malden	Peabody	Wakefield	Woburn
Chicopee	Marblehead	Quincy	Walpole	Worcester
Clinton				

- (2) The South Essex Sewerage District serves six cities and towns in Essex County, Massachusetts, including:

Beverly	Danvers	Marblehead
Middleton	Peabody	Salem

- (3) Grant equivalency refers to the financial equivalent of a grant subsidized by the Commonwealth of the amount in excess of 25% of the eligible project costs. A range is quoted in the case of multiple loans.
NOTE: Title 5 Loans are zero interest loans, deemed to be a 50% grant equivalency.

- (4) Exclusively Title 5 Disbursements

- (5) The Upper Blackstone Water Pollution Abatement District serves eleven cities and town in Worcester County, Massachusetts, including:

Auburn	Boylston	Holden
Leicester	Millbury	Oxford
Paxton	Rutland	Shrewsbury
West Boylston	Worcester	

- (6) The Charles River Pollution Control District serves five towns, in Norfolk County, Massachusetts including:

Bellingham	Franklin	Medway	Millis	Norfolk
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- (7) The Hoosac Water Quality District serves three towns, in Berkshire County, Massachusetts, including:

Clarksburg	North Adams	Williamstown
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- (8) This is a "privately-owned" public water system.

- (9) Loan obligation consists of monies from both the Clean Water program AND the Safe Drinking Water program.

- (10) Community has opted for extended, 30 year financing.

- (11) Loan obligation consists of monies from both the Clean Water program AND the Title 5 Program.

- (12) Loan obligation consists of monies from the Clean Water, Safe Drinking Water, and the Title 5 Programs.

- (13) Borrowing governmental entity is required to pay a flat, 2% interest rate pursuant to MA General Law passed as part of the Commonwealth's FY2001 budget for new Projects appearing on the FY2002 Intended Use Plan and into the future.

MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST
TEN YEAR COMBINED SCHEDULE OF REVENUES AND EXPENSES BY CHARACTER
FOR FISCAL YEARS ENDING JUNE 30, 1996 THROUGH JUNE 30, 2005
(Amounts In Thousands)

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
REVENUES - Operating Revenue										
Loan Servicing Fees	\$ 3,407	\$ 1,831	\$ 2,837	\$ 2,508	\$ 4,567	\$ 1,855	\$ 1,520	\$ 1,270	\$ 1,076	\$ 905
Loan Origination Fees	196	209	382	410	1,054	1,289	2,207	121	66	66
Interest Income	<u>170,646</u>	<u>135,715</u>	<u>124,223</u>	<u>118,210</u>	<u>114,593</u>	<u>91,250</u>	<u>76,742</u>	<u>65,300</u>	<u>59,989</u>	<u>37,430</u>
Total Operating Revenue	\$ 174,249	\$ 137,755	\$ 127,442	\$ 121,128	\$ 120,214	\$ 94,394	\$ 80,469	\$ 66,691	\$ 61,131	\$ 38,401
EXPENSES - Operating Expenses:										
Commonwealth of Massachusetts- Department of Environmental Protection -										
Programmatic Support Costs	\$ 13,215	\$ 15,394	\$ 19,332	\$ 19,795	\$ 14,434	\$ 14,812	\$ 16,084	\$ 13,474	\$ 7,989	\$ 5,223
General and administrative	1,362	1,373	2,682	1,674	3,780	3,856	1,820	535	552	551
Arbitrage rebate payments	1,526	2,093	108	6,117						
Depreciation -	-	-	-	-						
Administrative Assets	-	-	-	-	-	-	32	8	5	7
Assets Acquired with Contributed Capital	-	-	-	-	-	-	-	-	112	224
Grant Disbursement	20,836	15,422	25,405	-	-	-	-	-	-	-
Interest Expense	<u>136,457</u>	<u>114,676</u>	<u>111,194</u>	<u>92,515</u>	<u>83,948</u>	<u>64,583</u>	<u>51,581</u>	<u>44,578</u>	<u>39,681</u>	<u>25,406</u>
Total Operating Expenses	\$ 173,396	\$ 148,958	\$ 158,721	\$ 120,101	\$ 102,162	\$ 83,251	\$ 69,517	\$ 58,595	\$ 48,339	\$ 31,411
Income (Loss) Before Operating Transfers	\$ 853	\$ (11,203)	\$ (31,279)	\$ 1,027	\$ 18,052	\$ 11,143	\$ 10,952	\$ 8,096	\$ 12,792	\$ 6,990
OPERATING - Grant Revenue:										
U.S. Environmental Protection Agency	\$ -	\$ -	\$ 5,349	\$ 1,584	\$ 2,522	\$ 3,846	\$ 6,197	\$ 11,111	\$ 2,228	\$ 2,153
Commonwealth of Massachusetts	7,853	7,853	7,853	8,000	8,000	8,144	9,801	2,267	5,677	2,990
Contract assistance:										
Commonwealth of Massachusetts	3,130	-	-	-	-	-	-	-	-	-
CAPITALIZATION - Grant Revenue:										
U.S. Environmental Protection Agency	75,069	28,615	73,749	57,963	72,197	140,430	-	-	-	-
Commonwealth of Massachusetts	9,200	9,200	9,200	9,886	35,464	10,854	-	-	-	-
Capitalization Disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(180)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Transfers	\$ 95,252	\$ 45,668	\$ 96,151	\$ 77,433	\$ 118,003	\$ 163,274	\$ 15,998	\$ 13,378	\$ 7,905	\$ 5,143
NET INCOME (LOSS)	\$ 96,105	\$ 34,465	\$ 64,872	\$ 78,460	\$ 136,055	\$ 174,417	\$ 26,950	\$ 21,474	\$ 20,697	\$ 12,133

NOTE: For comparison purposes. FY2000 and FY2001 information reflects the implementation of GASB 33 which requires the inclusion of Contributed Capital in Net Income.

**MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST
SCHEDULE OF LARGEST BORROWERS (GREATER THAN \$18 MILLION) BY FISCAL YEAR
FOR FISCAL YEARS ENDING JUNE 30 1999 THROUGH JUNE 30, 2005**

LOCAL GOVERNMENT UNIT	June 30, 2005		June 30, 2004		June 30, 2003		June 30, 2002		June 30, 2001		June 30, 2000		June 30, 1999	
	ORIGINAL	% OF	ORIGINAL	% OF	ORIGINAL	% OF	ORIGINAL	% OF	ORIGINAL	% OF	ORIGINAL	% OF	ORIGINAL	% OF
	<u>LOAN AMOUNT</u>	<u>TOTAL LOANS</u>	<u>LOAN AMOUNT</u>	<u>TOTAL LOANS</u>	<u>LOAN AMOUNT</u>	<u>TOTAL LOANS</u>	<u>LOAN AMOUNT</u>	<u>TOTAL LOANS</u>	<u>LOAN AMOUNT</u>	<u>TOTAL LOANS</u>	<u>LOAN AMOUNT</u>	<u>TOTAL LOANS</u>	<u>LOAN AMOUNT</u>	<u>TOTAL LOANS</u>
Massachusetts Water Resources Authority (See Note 1,9,10)	925,161	29.77%	846,854	30.31%	774,340	26.27%	649,540	26.91%	644,225	46.92%	467,898	35.29%	445,145	42.44%
South Essex Sewerage District (See Note 2)	181,017	5.82%	181,017	6.48%	180,960	6.14%	180,960	7.50%	180,960	13.18%	170,989	12.90%	169,780	16.19%
New Bedford (See Note 10)	165,108	5.31%	158,832	5.68%	170,879	5.80%	168,542	6.98%	168,542	12.28%	162,865	12.28%	162,865	15.53%
Fall River (See Note 10)	109,351	3.52%	96,271	3.45%	43,048	1.46%	20,014	0.83%	20,014	1.46%	18,507	1.40%	14,938	1.42%
Lynn Water & Sewer Commission (See Note 10)	93,118	3.00%	93,118	3.33%	72,977	2.48%	43,538	1.80%	43,538	3.17%	38,079	2.87%	22,266	2.12%
Upper Blackstone WPAD (See Note 5)	68,340	2.20%	15,720	0.56%	15,877	0.54%	15,877	0.66%	15,385	0.78%	15,385	1.12%	14,037	1.06%
Cambridge (See Note 9)	64,478	2.07%	59,777	2.14%	59,711	2.03%	59,711	2.47%	59,711	4.35%	20,622	1.56%	17,883	1.70%
Plymouth (See Note 12)	50,260	1.62%	50,075	1.79%	45,899	1.56%	35,080	1.45%	24,348	1.77%	6,954	0.52%	6,954	0.66%
Chelmsford	43,524	1.40%	43,524	1.56%	-	-	-	-	-	-	-	-	-	-
Wareham	36,346	1.17%	36,161	1.29%	20,969	0.71%	11,366	0.47%	11,366	0.83%	8,609	0.65%	12,848	1.22%
Billerica	34,597	1.11%	30,166	1.08%	-	-	-	-	-	-	-	-	-	-
Attleboro (See Note 11)	33,458	1.08%	26,929	0.96%	20,340	0.69%	20,340	0.84%	20,340	1.48%	14,731	1.11%	15,365	1.46%
Boston Water & Sewer Commission	32,335	1.04%	32,335	1.16%	31,660	1.07%	31,660	1.31%	31,660	2.31%	26,216	1.98%	31,788	3.03%
Gloucester (See Note 11)	31,076	1.00%	31,076	1.11%	31,745	1.08%	31,745	1.31%	31,745	2.31%	11,480	0.87%	13,061	1.25%
Taunton (See Note 11)	28,969	0.93%	28,969	1.04%	21,773	0.74%	13,804	0.57%	13,213	0.96%	-	-	-	-
Kingston (See Note 10,11)	28,810	0.93%	28,810	1.03%	51,595	1.75%	32,048	1.33%	25,105	1.83%	12,165	0.92%	-	-
Fitchburg (See Note 9)	27,430	0.88%	20,984	0.75%	20,840	0.71%	20,840	0.86%	20,840	1.52%	-	-	-	-
Yarmouth (See Note 11)	26,685	0.86%	26,685	0.96%	26,581	0.90%	26,581	1.10%	26,581	1.94%	20,861	1.57%	26,381	2.52%
Westfield	25,251	0.81%	25,251	0.90%	20,241	0.69%	699	0.03%	699	0.05%	699	0.05%	-	-
Acton (See Note 10)	24,752	0.80%	24,752	0.89%	28,525	0.97%	28,525	1.18%	15,866	1.16%	-	-	-	-
Scituate (See Note 11)	24,077	0.77%	24,077	0.86%	16,629	0.56%	16,629	0.69%	16,629	1.21%	11,938	0.90%	-	-
Lowell	23,956	0.77%	16,110	0.58%	15,781	0.54%	10,283	0.43%	10,283	0.52%	-	-	-	-
Brockton	23,651	0.76%	7,141	0.26%	6,982	0.24%	5,546	0.23%	5,546	0.28%	5,374	0.39%	4,382	0.33%
Barnstable	23,294	0.75%	23,294	0.83%	18,780	0.64%	18,305	0.76%	18,305	1.33%	15,790	1.19%	15,236	1.45%
Lawrence	22,769	0.73%	11,493	0.41%	11,380	0.39%	11,380	0.47%	11,380	0.58%	-	-	-	-
Cohasset	22,165	0.71%	22,165	0.79%	21,976	0.75%	21,976	0.91%	21,976	1.60%	7,812	0.59%	-	-
Haverhill	20,203	0.65%	8,064	0.29%	7,175	0.24%	5,223	0.22%	3,665	0.19%	4,363	0.32%	4,636	0.35%
Raynham (See Note 11)	19,451	0.63%	19,451	0.70%	-	-	-	-	-	-	-	-	-	-
Charlton	19,311	0.62%	18,775	0.67%	18,578	0.63%	15,163	0.63%	15,163	1.10%	-	-	-	-
Winchendon (See Note 9)	18,598	0.60%	18,598	0.67%	-	-	-	-	-	-	-	-	-	-
Dartmouth (See Note 10)	18,375	0.59%	18,375	0.66%	18,691	0.63%	15,919	0.66%	15,919	1.16%	15,270	1.15%	10,506	1.00%
total all others			<u>749,276</u>	26.82%	<u>1,173,321</u>	39.81%	<u>902,805</u>	37.40%	<u>503,659</u>	25.48%	<u>316,393</u>	23.04%	<u>337,683</u>	25.47%
TOTALS AS OF END OF FISCAL YEAR			<u>2,794,125</u>		<u>2,947,253</u>		<u>2,414,099</u>		<u>\$ 1,976,663</u>		<u>\$ 1,373,000</u>		<u>\$ 1,325,754</u>	

MASSACHUSETTS WATER ABATEMENT TRUST
SCHEDULE OF POPULATION SERVED BY FISCAL YEAR
FOR FISCAL YEARS ENDING JUNE 30, 1996 THROUGH JUNE 30, 2005

Trust Loans Outstanding as of June 30, 2005																
LOCAL GOVERNMENT UNIT	Permanent / Interim			June 30, 2003	June 30, 2002	June 30, 2001	June 30, 2000	June 30, 1999	June 30, 1998	June 30, 1997	June 30, 1996	June 30, 1995	June 30, 1994	June 30, 1993	June 30, 1992	
	Clean Water	Drinking Water	Title 5	POPULATION	POPULATION	POPULATION	POPULATION	POPULATION	POPULATION	POPULATION	POPULATION	POPULATION	POPULATION	POPULATION	POPULATION	
ABINGTON	2,879,816	0	0	16,052	15,255	14,793	14,605	14,941	14,876	14,773						
ACTON	22,559,633	0	0	20,802	20,832	20,745	20,331	19,332	19,206	18,995						
ACUSHNET	0	0	76,094	10,594	10,477	10,306	10,161	10,557	10,111	9,916						
ADAMS	2,922,434	0	0	8,587												
AGAWAM	2,405,294	0	38,047	28,528	28,391	28,234	28,144	26,686	26,738	26,701	26,721	26,787				
AMESBURY	11,544,261	0	35,692	16,718	16,680	16,637	16,450	16,142	16,076	15,890	15,784					
AMHERST	0	0	78,925	34,567	34,417	34,072	34,874	36,474	35,252	35,336						
AQUARION WATER COMPANY	0	3,239,363	0	-	-	-	-	-								
ASHBURNHAM	4,392,400	2,398,023	327,343	5,842	5,732	5,662	5,546	5,636	5,577	5,517	5,471					
ASHFIELD	0	522,610	0	1,816	1,802	1,792	1,800	1,732								
ASHLAND	1,208,478	8,186,768	67,579	15,474	15,392	15,209	*	13,845	13,482	13,162						
ATHOL	201,198	1,724,869	118,395	11,589	11,468	11,387	11,299	11,420	11,161	11,150						
ATTLEBORO	26,714,681	0	85,870	43,502	43,164	42,622	42,068	39,902	39,557	39,250	39,070					
AVON	103,748	1,638,216	166,202	4,423	4,449	4,457	4,443	4,603	4,618							
AYER	212,042	0	58,877	7,258	7,304	7,330	7,287	7,604	7,515	7,448						
BARNSTABLE	13,803,771	0	946,250	48,907	48,854	48,372	47,821	46,067	45,187	44,533	43,699	43193	42579			
BARRE	0	0	128,807	5,353	5,295	5,234	5,113	4,981	4,901	4,858						
BELCHERTOWN	13,950,136	0	61,913	13,805	13,512	13,220	12,968	12,193	11,946	11,833	11,756	11597	11724			
BELLINGHAM	394,667	0	637,898	15,705	15,592	15,504	15,992	15,864	15,660							
BELMONT	0	0	47,475	23,859	24,045	24,169	*									
BERLIN	0	0	150,371	2,663	2,567	2,453	2,380	2,434	2,400							
BERNARDSTON	0	0	80,166	2,199	2,175	2,163	2,155	2,093	2,087	2,087						
BEVERLY	680,064	0	0	40,255	40,235	40,169										
BILLERICA	2,170,760	0	28,661,436	39,593	39,453	39,184	38,981	39,900	39,594	39,192	38,861	38490	38853			
BLACKSTONE	0	0	62,820	9,062	9,007	8,934	8,804	8,466	8,386	8,315						
BOSTON (City of)	10,635,546	0	0	581,616	589,281	591,707	*	555,249	555,447	555,873						
BOSTON WATER & SEWER COMM.	19,517,381	0	0	-	-	-	-	-	-	-						
BOURNE	707,455	0	752,834	19,523	19,372	19,093	18,721	18,329	18,007	17,737	17,529	17300	16646			
BOXFORD	0	0	195,314	8,214	8,179	8,116	7,921	9,174	9,041	8,782						
BOYLSTON	0	0	130,620	4,162	4,109	4,072	***									
BREWSTER	0	0	351,456	10,401	10,363	10,253	10,094	9,879								
BRIDGEWATER	125,399	0	624,886	25,142	25,620	25,297	25,185	24,786	24,536	24,094	23,692	23310				
BROCKTON	20,409,482	1,235,582	0	95,090	95,437	94,820	94,304	93,653	93,173	92,817	92,324	92209				
BROOKFIELD	0	0	115,333	3,133	3,118	3,099	3,051	2,955	2,940							
BUCKLAND	677,500	0	0	1,994	1,980	1,982	1,991	1,926								
CAMBRIDGE	15,834,781	14,370,699	0	101,587	101,807	102,281	*	92,942	93,352	93,596						
CARVER	0	0	133,205	11,536	11,467	11,336	11,163	11,881	11,647							
CHARLES RIVER POLLUTION CONTROL DIST.****	11,175,962	0	0	-	-	-	75,684	75,636	74,618							
CHARLTON	13,091,960	3,153,966	0	12,159	11,868	11,614	11,263	10,542								
CHATHAM	150,318	0	223,384	6,849	6,806	6,742	6,625	7,215	7,098	6,999						
CHELMSFORD	25,809,416	4,936,361	0	33,957	33,997	34,013	33,858	33,883	33,776	33,595	33,484	33199				
CHERRY VALLEY WATER DISTRIC	0	1,146,011	0	-	-	-	-	-	-	-						
CHESTERFIELD	0	0	510,826	1,261	1,236	1,227	1,201	1,138	1,125							
CHICOPEE	6,713,167	0	0	54,992	54,833	54,644	*	53,751								
CLARKSBURG	325,700	0	0	1,681	1,680	1,681	*****	1,532	1,674	1,679						
CLINTON	0	10,200,338	0	13,774	13,733	13,628	13,435									
COHASSET	17,806,877	0	0	7,292	7,307	7,298	7,261	7,114	7,094	7,073						
COLRAIN	15,740	0	50,468	1,864	1,842	1,824	1,813	1,851								
CONCORD	1,414,019	0	203,384	16,937	17,028	17,011	16,993	17,804	17,867	17,811						
CONWAY	0	0	32,252	1,881	1,859	1,835	1,809	1,658	1,653							
COOL SANDY BEACH	0	82,500	0	-	-	-	-	-	-	-						
DANVERS	0	472,068	0	25,588	25,446	25,441		25,504	25,188	24,703						
DARTMOUTH	13,069,439	2,556,463	506,250	3,158	30,767	30,393	30,666	29,820	28,503	28,240						
DEDHAM	2,762,931	0	94,190	23,244	23,378	23,433	*	23,585	23,721	23,718						
DENNIS	0	0	717,490	16,226	16,194	16,096	15,973	14,864	14,693							
DIGHTON	0	1,185,165	106,550	6,556	6,448	6,324	6,175	5,954	5,937	5,891						
DOUGLAS	7,142,636	0	0	7,653												
DOVER	0	0	166,202	5,679	5,669	5,637	5,558	5,500	5,481	5,434						
DRACUT	7,603,622	788,522	22,828	28,804	28,828	28,835	28,562	28,196	28,136	27,944						
DUDLEY	98,496	531,760	52,344	10,720	10,509	10,284	10,036	9,417	9,802	9,732						
DUXBURY	430,509	0	323,344	14,660	14,578	14,433	14,248	15,534	15,353	15,154						
EAST BRIDGEWATER	923,029	0	2,023,524	13,652	13,501	13,277	12,974	12,825	12,584	12,327						
EAST LONGMEADOW	657,322	0	0	14,704												
EASTHAM	782,703	0	366,202	5,632	5,618	5,565	5,453	5,153	5,033							
EASTHAMPTON	2,781,372	0	0	16,340	16,180	16,027	15,994	15,527	15,627	15,665						
EASTON	156,011	0	114,685	22,969	22,698	22,418	22,299	21,547	21,311							
ESSEX	15,622,524	0	416,229	3,343	3,326	3,324	3,267	3,418	3,407							
EVERETT	408,206	0	0	37,540												
FAIRHAVEN	238,543	0	259,638	16,373	16,349	16,273	16,159	15,981	15,937	15,921						
FALL RIVER	85,044,988	15,932,081	0	92,760	92,660	92,237	91,938	90,555	90,654	90,666	90,865	91177	89425			
FALMOUTH	14,895,705	0	710,826	33,823	33,628	33,216	32,660	31,996	31,431							
FITCHBURG	2,424,557	29,072,218	0	39,948	39,727	39,385	39,102	40,407	40,011							

MASSACHUSETTS WATER ABATEMENT TRUST
SCHEDULE OF POPULATION SERVED BY FISCAL YEAR
FOR FISCAL YEARS ENDING JUNE 30, 1996 THROUGH JUNE 30, 2005

Trust Loans Outstanding as of June 30, 2005																
LOCAL GOVERNMENT UNIT	Permanent / Interim			June 30, 2003	June 30, 2002	June 30, 2001	June 30, 2000	June 30, 1999	June 30, 1998	June 30, 1997	June 30, 1996	June 30, 1995	June 30, 1994	June 30, 1993	June 30, 1992	
	Clean Water	Drinking Water	Title 5	POPULATION	POPULATION	POPULATION	POPULATION	POPULATION	POPULATION	POPULATION	POPULATION	POPULATION	POPULATION	POPULATION	POPULATION	
HATFIELD	997,100	0	38,730	3,354	3,325	3,274	3,249	3,231								
HAVERHILL	18,995,809	0	112,950	60,326	59,634	59,516	58,969	55,525	55,321	54,601	53,952	53,283	52,962			
HILLCREST SEWER DISTRICT	3,510,527	0	0	-	-	-	-	-								
HINGHAM	2,606,781	0	76,094	20,319	20,221	20,128	*	20,528	20,439	20,326						
HINSDALE	2,520,133	0	0	1,841	1,847	1,857	1,872	1,834	1,855	1,872						
HOLBROOK	1,659,258	0	32,080	10,871	10,877	10,834	*	11,135	11,125	11,086						
HOLDEN	6,380,449	6,749,632	1,317,773	16,437	16,137	15,978	***									
HOLLAND	144,602	0	0	2,467	2,440	2,419	2,407	2,079								
HOLLISTON	278,014	0	0	13,978	13,989	13,982	13,801	13,669	13,576							
HOOSAC WATER. QUALITY. DIST. *****	1,914,245	0	0	-	-	-	24,791	25,198	25,118							
HOPEDALE	0	767,972	0	6,185	6,102	6,017	-									
HOPKINTON	6,644,238	0	515,626	14,018	13,930	13,803	13,346	11,650	11,351	11,089	10,805	10389	10704			
HUBBARDSTON	0	0	11,414	4,216	4,139	4,062	3,909	3,763	3,571							
HUDSON	818,690	0	109,410	18,348	18,336	18,292	18,113	17,922	17,803	17,711						
HULL	6,210,767	0	0	11,302	11,347	11,229	11,050	10,561	10,528							
IPSWICH	1,381,500	0	0	13,341	13,270	13,200	12,987	12,758	12,656	12,465						
KINGSTON	26,199,734	0	1,216,439	12,220	12,156	12,006	11,780	11,226	10,983							
LAKEVILLE	0	0	219,897	10,469	10,359	10,136	9,821	9,135	8,900							
LANCASTER	0	0	144,556	6,618	7,501	7,394	*	6,634	6,685	6,621						
LANESBOROUGH	0	3,137,474	0	2,981	2,975	2,980	*	3,017	3,035	3,051						
LAWRENCE	0	20,906,358	0	72,492	72,451	72,335	72,043	69,794								
LEE	151,216	0	0	5,901	5,902	5,939	5,985	5,586	5,657	5,704						
LEICESTER	0	0	320,343	10,851	10,757	10,641	***	10,622	10,442	10,372						
LENOX	2,057,015	0	0	5,185	5,158	5,156	5,077	5,070	5,180	5,136						
LEOMINSTER	5,069,934	3,596,746	0	4,200	41,895	41,709	*	40,358	40,208	-						
LEXINGTON	0	0	36,836	30,631	30,663	30,602	*	29,583	29,594	29,527						
LEYDEN	0	0	45,000	796	790	778	*									
LINCOLN	0	3,679,408	0	8,066	8,111	8,114	*									
LITTLETON	0	0	301,474	8,604	8,523	8,424	8,184	8,170	7,936	7,792						
LONGMEADOW	0	0	19,350	15,676	15,652	15,599	15,633	14,655	14,710	14,766						
LOWELL	10,036,039	11,561,337	0	104,351	104,901	105,280	105,167	101,103	101,075	101,157						
LUDLOW	1,555,602	0	0	21,842	21,678	21,476	21,209	19,025	18,957	18,874	18,786	18749				
LUNENBURG	8,831,230	1,864,621	152,188	9,909	9,783	9,652	9,401	9,411	9,473	9,383	9,285					
LYNN WATER & SEWER DISTRICT	73,054,354	0	0	-	-	-	-	-	-	-	-	-	-	-	-	
LYNNFIELD	0	0	141,374	11,687	11,660	11,634	11,542	11,444	11,359	11,277						
MANCHESTER BY THE SEA	5,520,517	0	0	5,363	5,307	5,289	5,228	5,521	5,465	5,405						
MANSFIELD	1,931,215	5,782,786	0	23,011	22,827	22,666	22,414	19,741	19,244	18,966						
MARION	11,193,210	0	0	5,282	5,280	5,217										
MARLBOROUGH	1,940,047	0	0	37,980	38,144	37,966	36,255	33,408								
MARSHFIELD	8,088,983	0	0	24,775	24,815	24,613	24,324	23,823	25,358	23,155	22,911	22650	23133			
MASHPEE	761,563	0	536,202	14,200	13,983	13,521	12,946	9,343								
MASSACHUSETTS DEVELOPMENT **	14,040,441	0	0	-	-	-	-	-	-	-	-	-	-	-	-	
MASS. WATER RESOURCES AUTHORITY *	674,162,394	98,436,967	0	-	-	-	2,732,185	2,071,572	2,072,403	2,070,228	2,071,046	2070380	2050272	2,023,242	2055908	
MATTAPOISETT	5,722,511	0	0	6,480	6,409	6,350	6,268	6,418								
MAYNARD	457,247	4,497,351	74,160	10,374	10,446	10,453	10,433	10,473	10,462	10,415						
MEDFIELD	433,900	0	62,100	12,414	12,447	12,448	12,273	11,753	11,726							
MEDWAY	0	0	240,979	12,900	12,888	12,668	***	11,883	11,738	11,544						
MELROSE	655,757	0	0	26,784	26,963	27,113	*	27,241	27,376	27,419						
MENDON	0	0	133,205	5,691	5,581	5,474	5,286	4,867	4,739	4,536						
MERRIMAC	121,558	0	133,205	6,320	6,289	6,236	6,138	6,110	5,966	5,796						
METHUEN	1,360,981	0	0	44,850	44,638	44,381	43,789	42,364	41,988	41,477	41,029	40729	40694			
MIDDLEBOROUGH	334,153	0	739,262	20,909	20,722	20,352	19,941	19,911	19,702	19,441						
MIDDLETON	0	0	105,031	8,984	8,781	8,642	7,744									
MILLBURY	11,268,878	0	0	13,304	13,168	13,062	***	12,405	12,382	12,335	12,329	12363				
MILLVILLE	0	0	437,073	2,918	2,856	2,785	2,724	2,570	2,526							
MILTON	581,477	0	53,385	25,842	26,010	26,084	*	25,611	25,662	25,719						
MONTAGUE	1,021,418	0	0	8,452	8,456	8,456	8,489	8,334	8,293	8,318	8,383	8375	8444			
MONTEREY	0	0	74,190	944	939	936	934	771	801							
NANTUCKET	13,571,847	0	17,420	10,724	10,416	9,938	9,520	8,206	7,844	7,489	7,267	7034				
NATICK	233,191	5,412,817	207,202	32,321	32,384	32,386	*	31,595	31,491	31,381						
NEEDHAM	2,007,296	0	71,560	29,137	29,197	29,122	*	27,832	27,924	27,866						
NEW BEDFORD	127,860,643	8,475,068	0	94,112	94,088	93,834	93,768	94,780	963,553	96,535	96,903	97428	94623	95653		
NEWBURY	3,620,831	4,322,672	0	6,861	-	-	-	-	-	-	-	-	-	-	-	
NEWBURYPORT	5,213,915	6,611,863	0	17,499	17,504	17,350	17,189	16,874	16,808	16,681						
NEWTON	13,700,261	0	0	84,323	83,880	83,950	*									
NORFOLK	61,100	507,628	0	10,450	10,500	10,436	-	10,815	10,553	10,460						
NORTH ADAMS	2,543,275	0	0	14,334	14,430	14,526	***	15,549	15,496	15,681						
NORTH ANDOVER	6,512,239	0	0	27,925	27,925	27,617	27,202	27,286	27,227	24,727	24,283	23610	24727			
NORTH ATTLEBOROUGH	6,672,328	3,525,929	0	28,102	27,826	27,433	27,143	25,963	25,908	25,696	25,550	25397	26375			
NORTH READING	707,130	0	152,188	14,025	13,999	13,972	13,837	13,326	13,219	13,066						
NORTHAMPTON	0	0	72,982	29,287	28,979	28,900	28,788	28,412	28,680	28,789						
NORTHBOROUGH	823,198	0	63,468	14,291	14,246	14,172	*	13,509	13,258	13,019						
NORTHBRIDGE	7,771,849	0	242,471	13,705	13,521	13,354	13,182	14,336	14,036	13,853						
NORTH BROOKFIELD	0	4,424,845	0	4,819	4,786	4,751	4,683	4,875								
NORTH SAGAMORE WATER DISTRICT	0	2,277,701	0	-	-	-	-	-	-	-	-	-	-	-	-	
NORTON	2,489,931	0	943,388	19,013	18,567	18,296	18,036	16,271	16,097	15,842						
NORWELL	0	0	55,466	10,289	10,166	10,031	9,765	10,092	9,925	9,771						
NORWOOD	895,855	0	0	28,730	28,844	28,662	*									
OAK BLUFFS	13,735,389	0	0	3,824	3,797	3,765	3,713	3,274	3,267							
ORANGE	144,300	0	89,791	7,564	7,530	7,504	7,518	7,618	7,454	7,478						
ORLEANS	0	0	100,000	6,491	6,470	6,416										
PALMER	5,323,897	0	0	12,833	12,708	12,584	-									
PAXTON	0	0	123,010	4,532	4,487	4,459	***									
PEMBROKE	157,288	0	464,183	17,675	17,541	17,269	16,927	16,828								
PEPPERELL	4,724,930	0	0	11,435	11,418	11,367										
PHILLIPSTON	0	0	122,990	1,685	1,638	1,633	1,621	1,441	1,620							
PLYMOUTH	37,744,373	589,086	464,315	54,109	53,789	52,914	51,701	50,689	49,810	48,909	48,329	47922	48997			
PLYMPTON	0	0	51,638	2,724	2,702	2,669	2,637	2,723	2,678							
PROVINCETOWN	14,841,065	0	462,442	3,472	3,484	3,477	3,431	3,743	3,794							
QUINCY	7,705,581	0	0	89,059	89,187	88,993	*	85,777	85,752	85,587						
RANDOLPH	648,585	0	0	30,924	31,044	31,048										

MASSACHUSETTS WATER ABATEMENT TRUST
SCHEDULE OF POPULATION SERVED BY FISCAL YEAR
FOR FISCAL YEARS ENDING JUNE 30, 1996 THROUGH JUNE 30, 2005

LOCAL GOVERNMENT UNIT	Trust Loans Outstanding as of June 30, 2005			June 30, 2003	June 30, 2002	June 30, 2001	June 30, 2000	June 30, 1999	June 30, 1998	June 30, 1997	June 30, 1996	June 30, 1995	June 30, 1994	June 30, 1993	June 30, 1992
	Permanent / Interim			POPULATION	POPULATION	POPULATION	POPULATION	POPULATION	POPULATION	POPULATION	POPULATION	POPULATION	POPULATION	POPULATION	POPULATION
	Clean Water	Drinking Water	Title 5												
RAYNHAM	14,966,789	0	43,505	12,569	12,276	11,990	11,739	10,901	10,789	10,622					
READING	0	0	18,619	23,585	23,680	23,737	*	23,389	23,371	23,214					
REVERE	523,096	0	0	47,002	47,496	47,683	*	41,747							
ROCKLAND	233,147	0	0	17,968											
ROCKPORT	115,855	0	0	7,810	7,816	7,810	-								
ROWLEY	0	0	62,326	5,610	5,574	5,556	5,500	5,465	5,343						
ROYALSTON	0	0	51,990	1,321	1,307	1,280	1,254	1,161	1,224						
RUSSELL	1,339,316	494,911	0	1,698	1,678	1,658	1,657	1,604	1,607	1,600	1,594	1597	1654		
RUTLAND	0	0	45,054	7,036	6,808	6,573									
SALISBURY	1,652,981	0	0	8,004	7,955	7,923	7,827	7,274							
SANDWICH	0	0	358,638	20,960	20,792	20,517	20,136	19,189							
SAUGUS	855,928	0	7,609	26,491	26,415	26,324	*	26,802	26,576	26,344					
SCITUATE	17,711,694	0	96,000	18,174	18,152	18,012	17,863	17,681	17,577	17,401					
SEEKONK	0	5,981,830	538,820	13,766	13,670	13,540	13,425	13,447	13,339						
SHARON	0	0	325,572	17,456	17,536	17,525	17,408	16,936	16,942	16,793					
SHIRLEY	13,126,149	0	8,435	7,604	6,502	6,373	6,373	7,392	7,674						
SHREWSBURY	273,208	0	262,243	33,091	32,751	32,398	***	***							
SHUTESBURY	0	0	282,623	1,835	1,827	1,815	1,810	1,701	1,701						
SOMERSET WATER DISTRICT	0	5,402,835	0	-	-	-	-	-							
SOUTH DEERFIELD WATER SUPPLY	0	3,402,965	0	-	-	-	4,750	4,927							
SOUTH ESSEX SEWERAGE DISTRICT **	115,468,497	0	0	-	-	-	181,731	172,238	171,883	170,439	169,409	168726	169559		
SOUTHAMPTON	485,045	1,784,011	316,202	5,736	5,595	5,474	5,387	5,140	4,941						
SOUTHBOROUGH	0	0	687,552	9,427	9,202	9,031	*	8,032	7,798	7,580					
SOUTHBRIDGE	293,301	5,992,786	84,655	17,418	17,398	17,348	17,214	17,405	17,460						
SOUTH HADLEY	2,288,485	0	0	17,414	17,248	17,179	*	17,127	17,097						
SOUTHWICK	0	0	51,028	9,305	9,123	8,979	8,835	*							
SPENCER	0	0	166,202	11,988	11,930	11,841	11,691	12,479	12,432	12,306					
SPRINGFIELD	11,967,671	0	0	152,157	151,915	151,466	152,082	147,216	148,144	148,916	149,948	151346	149164		
STERLING	0	430,592	0	7,693	7,569	7,438	*	*							
STOCKBRIDGE	5,923,821	0	0	2,246	2,252	2,260	*	*							
STOUGHTON	0	2,784,319	157,850	27,094	27,227	27,256									
STURBRIDGE	4,845,692	0	0	8,478	8,247	8,091	7,837	8,113	8,057	7,988					
SUNDERLAND	0	0	76,690	3,802	3,788	3,779	3,777	3,516	3,508	3,504					
SUTTON	8,323,638	0	41,820	8,865	8,705	8,548	8,250	7,659	7,597	7,438					
SWAMPSCOTT	8,376,244	0	0	14,452	14,461	14,479	*	13,768	13,868	13,703					
SWANSEA WATER DISTRICT	0	2,674,707	0	-	-	-	-	-							
TAUNTON	12,766,372	10,364,463	265,057	56,781	56,647	56,333	55,976	53,107	52,553	52,206	51,937	51779	51624		
TEMPLETON	8,054,333	0	472,085	7,254	7,143	6,981	6,799	7,220	7,116	7,062					
TEWKSBURY	3,021,026	0	0	29,288	29,355	29,208	28,851	29,016	29,070	28,878					
TISBURY	7,546,834	0	166,202	3,863	3,833	3,800	3,755	3,475							
TITLE 5 UNALLOCATED PROCEEDS	0	0	3,638,991	-	-	-	-	-							
TOWNSEND	0	0	334,383	9,364	9,317	9,263	9,198	9,232	9,169						
TRURO	0	0	166,202	2,169	2,152	2,123	2,087	1,835	1,799						
TYNGSBOROUGH	3,034,778	0	0	11,317	11,330	11,283	11,081	10,296							
UPPER BLACKSTONE WPAD ***	63,377,800	0	0	-	-	-	294,645	283,902	281,492	279,640	278,480				
UPTON	3,718,500	0	0	6,117	6,006	5,846	5,642	5,605	5,524	5,443					
WAKEFIELD	0	2,380,765	129,295	24,781	24,817	24,879	*	*							
WALPOLE	2,168,748	9,213,016	69,697	22,521	23,199	23,067	*	*							
WARE	672,400	0	0	9,954	9,823	9,745	9,707	9,737	9,727	9,760					
WAREHAM	23,068,036	0	505,712	21,090	20,935	20,672	20,335	19,901	19,756	19,625	19,545	19469	20120		
WARREN WATER DISTRICT	0	276,676	0	-	-	-	-	-							
WAYLAND	558,440	0	263,256	13,190	13,239	13,237	13,100	12,359	12,343	12,199					
WEBSTER	7,110,690	900,969	65,025	16,891	16,736	16,600	16,415	16,605	16,115	16,091	16,089	16108	16227		
WELLFLEET	0	846,022	135,000	2,841	2,824	2,790	2,749								
WEST BOYLSTON	7,746,141	593,581	1,052,047	7,649	7,609	7,586	***	***							
WESTBOROUGH	2,251,072	0	0	18,811	18,543	18,336	17,997	15,649	15,428	15,236	15,005				
WEST BRIDGEWATER	172,116	0	159,856	6,861	6,835	6,752									
WESTFIELD	18,317,600	3,906,291	0	40,560	40,314	40,074	40,072	37,615	37,570						
WESTFORD	0	12,650,980	60,805	21,333	21,249	21,092	20,754	19,983							
WEST NEWBURY	0	0	370,284	4,265	4,241	4,203	*	*							
WEST STOCKBRIDGE	0	722,760	0	1,453	1,439	1,432	1,416	1,445							
WESTWOOD	2,324,664	0	0	14,113	14,181	14,187	*	*							
WEYMOUTH	337,784	735,753	42,065	54,527	54,754	54,142	*	*							
WHITMAN	0	6,653,546	97,780	14,351	14,341	14,232	13,882	14,488	14,229	13,929					
WILMINGTON	0	0	175,663	21,620	21,629	21,565	*	*							
WINCHENDON	13,406,695	2,398,023	124,799	9,987	9,909	9,761	9,611	9,358	9,176	9,031					
WINCHESTER	0	0	56,093	21,182	21,093	21,029	*	*							
WINDBROOK ACRES	0	402,761	0	-	-	-	*	*							
WOBURN	546,286	4,384,651	0	37,809	38,003	37,614	37,258								
WORCESTER	1,123,317	0	0	175,706	174,962	174,017									
WRENTHAM	371,481	3,310,131	314,983	11,028	10,951	10,843	10,554								
YARMOUTH	15,418,965	0	299,407	25,192	25,236	25,043	24,807	23,091	22,797	22,532					
TOTALS AS OF END OF FISCAL YEAR	2,047,418,255	412,809,434	68,006,738	5,045,768	5,012,575	4,989,091	6,351,761	6,909,004	7,271,235	5,873,956	3,645,818				
TOTAL MASSACHUSETTS POPULATION	Clean Water	Drinking Water	Title V				6,427,801	6,147,132	6,092,352	6,041,157					

MASSACHUSETTS WATER ABATEMENT TRUST
SCHEDULE OF POPULATION SERVED BY FISCAL YEAR
FOR FISCAL YEARS ENDING JUNE 30, 1996 THROUGH JUNE 30, 2005

NOTE: "Population Served" exceeds "population of Commonwealth" due to overlaps in population in different programs within the Trust.

* - MWRA, ** - South Essex Sewerage District, *** - Upper Blackstone WPAD, **** - Charles River Pollution Control District, ***** - Hoosac Water Quality District, ^ - Greater Lawrence Sewerage District.

Population Statistics Source: Massachusetts Department of Revenue, Division of Local Services.

* MWRA Cities, Towns and special purpose entities listed below
are included in the MWRA count above:

ARLINGTON	HINGHAM	REVERE
ASHLAND	HOLBROOK	SOMERVILLE
BEDFORD	LANCASTER	STONEHAM
BELMONT	LEXINGTON	STOUGHTON
BOSTON	MALDEN	WAKEFIELD
BRAINTREE	MEDFORD	WALPOLE
BROOKLINE	MELROSE	WALTHAM
BURLINGTON	MILTON	WATERTOWN
CAMBRIDGE	NATICK	WELLESLEY
CANTON	NEEDHAM	WESTWOOD
CHELSEA	NEWTON	WEYMOUTH
CLINTON	NORWOOD	WILMINGTON
DEDHAM	QUINCY	WINCHESTER
EVERETT	RANDOLPH	WINTHROP
FRAMINGHAM	READING	WOBURN

Charles River Pollution Control District serves five communities including:

BELLINGHAM	NORFOLK	MILLIS
FRANKLIN	MEDWAY	

Hoosac Water Quality District serves three communities including:

CLARKSBURG	WILLIAMSTOWN	NORTH ADAMS
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Greater Lawrence Sewerage District serves four communities including:

ANDOVER	N. ANDOVER
LAWRENCE	METHUEN

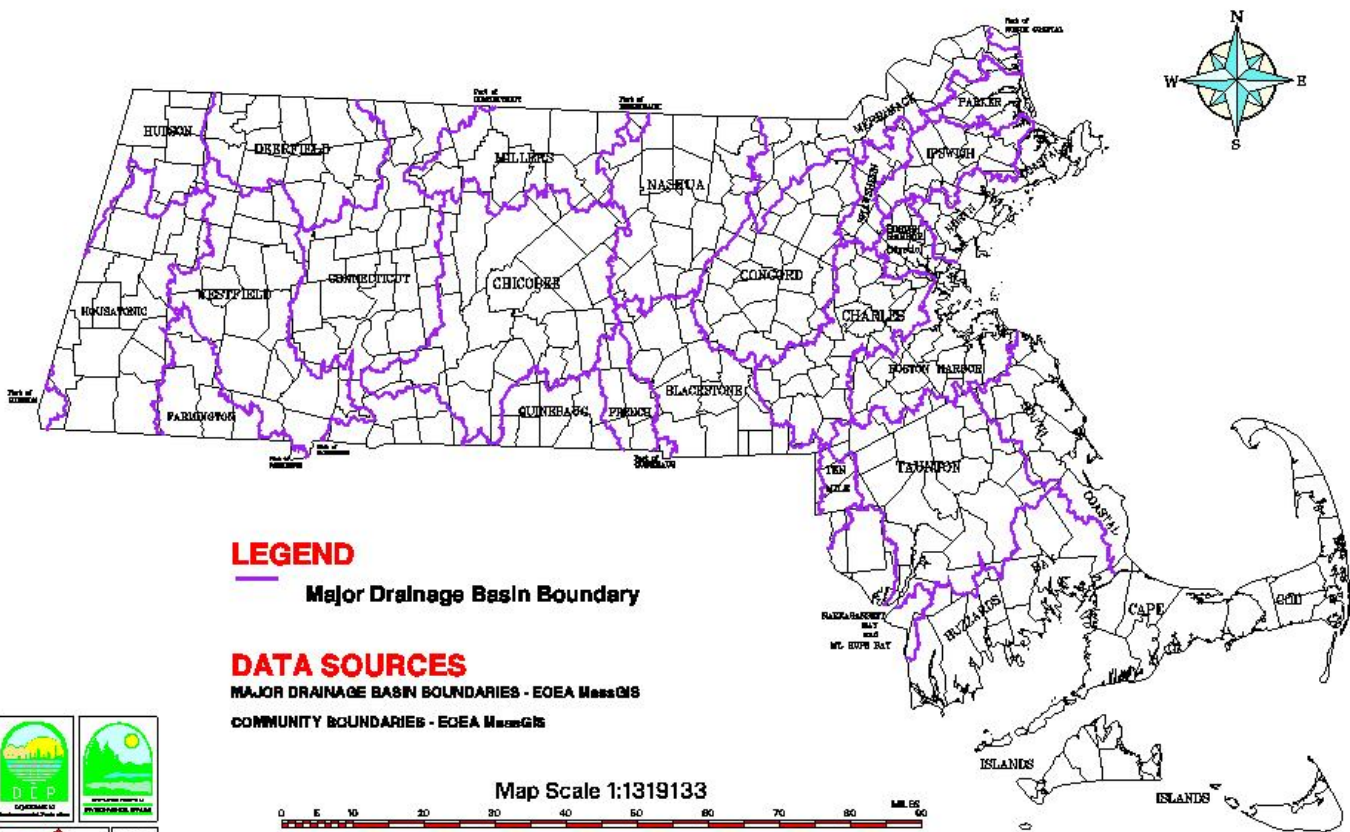
The South Essex Sewerage District serves six Cities and Towns in Essex County including:

BEVERLY	MARBLEHEAD	DANVERS	MIDDLETON
SALEM	PEABODY		

Upper Blackstone WPAD serves eleven communities including:

AUBURN	SHREWSBURY
BOYLSTON	W. BOYLSTON
HOLDEN	WORCESTER
LEICESTER	

Major Drainage Basins in Massachusetts



LEGEND

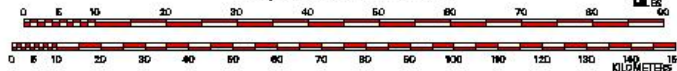
Major Drainage Basin Boundary

DATA SOURCES

MAJOR DRAINAGE BASIN BOUNDARIES - EOGA MassGIS

COMMUNITY BOUNDARIES - EOGA MassGIS

Map Scale 1:1319133



Map by: DEP GIS Program - November 01, 1999